

DRUG
SMUGGLING

ARMY AND CIA
INVOLVEMENT
IN THE USA

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PROFESSIONAL EXPERIENCE

- 1979 - Present **TED L. GUNDERSON & ASSOCIATES**, Santa Monica, California.
Founder, owner and operator of this international security consulting and investigation firm.
- Hosts the "Ted Gunderson Intelligence Report" radio talk show, weekdays as follows:
1. American Freedom Satellite Network, GE 1 103° West
(2° to the West of Space Net 4) Channel 7, Sub Audio 5.8 Frequency
10AM to 12PM Central Standard Time (C.S.T.)
 2. WWCR Short Wave Radio 12.160 Frequency, 11AM to 12PM (C.S.T.)
- 1984 **LOS ANGELES OLYMPIC COMMITTEE**
Security and Anti-Terrorism Consultant
- 1981-1982 **CALIFORNIA NARCOTICS AUTHORITY**
Appointed by Governor of California as
Narcotics Consulting Agent
- 1979 **PAN AMERICAN GAMES**, San Juan, Puerto Rico
Security and Anti-Terrorism Coordinator
Special Appointee of United States Attorney General Griffin B. Bell
- 1951-1979 **FEDERAL BUREAU OF INVESTIGATION**
- | | |
|---------|--|
| 1977-79 | Senior Special Agent-in-Charge, Los Angeles, California |
| 1973-77 | Special Agent-in-Charge of Memphis, Tennessee and Dallas, Texas |
| 1973 | Chief Inspector |
| 1965-73 | Assistant Special Agent-in-Charge, New Haven, Connecticut and Philadelphia, Pennsylvania |
| 1960-65 | Special Agent Supervisor, FBI Headquarters, Washington, D.C. |
| 1951-60 | Special Agent |

Received many other awards, including Law Enforcement Officer of The Year. Author of "How to Locate Anyone Anywhere Without Leaving Home" (Penguin Books 1989) and other publications. Has appeared on numerous radio and TV shows including, "Larry King Live", "Geraldo", "48 Hours", "Hard Copy", "Inside Edition" among others. Currently forming an organization known as "Current and Former FBI Agents For Honest Government".

ARMY AND C.I.A. INVOLVEMENT IN BRINGING
DRUGS TO THE UNITED STATES FROM VIETNAM

A Report

DRUGS

In 1980 an informant told me that drugs were being flown into Army bases from Viet Nam in the late 1960's and early 1970's. I visited the library and researched the subject. To my surprise there has only been one article written on this topic in a national publication. (See attached Time Magazine article January 1, 1973).

I have been told by informants that the Army personnel involved in this operation, who were subsequently prosecuted were a minute percentage of those active in the drug operation. I have also been told that some high ranking Army officers who were in charge of this drug ring have never been identified. Informants have advised that the Army investigation of the operation was controlled and manipulated to conceal its magnitude and the extent of participation. If true, this accounts for the Army drug cover up of the MacDonald murders as described by Helena Stoeckley.

Helena Stoeckley advised that her Satanic Cult group planned the MacDonald murders Halloween night 1969. At that time MacDonald was assigned to the military hospital in Fort Bragg, N.C. but was moonlighting for extra money at the civilian hospital in Fayetteville. Most military personnel sought treatment for drug overdose at the civilian rather than the military hospital to avoid a dishonorable discharge. Someone at the civilian hospital was reporting these individuals to Army officials and they were dishonorably discharged.

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Stoeckley told P.E. Beasley, a retired Fayetteville police officer, that her Satanic Cult group was trafficking drugs during this period. (Stoeckley was an informant for Beasley at the time). One of their members delivered drugs to New York City every other week. The group planned and carried out the MacDonald murders without the knowledge or approval of the drug community which included a number of civilians (at least two attorneys) and military personnel. Stoeckley told Beasley that the leaders of the Fayetteville/Port Bragg drug network felt that their operation would be exposed if the Satanic Cult group was investigated for the murders so they framed Dr. MacDonald.

Stoeckley told Beasley and me in October 1980 she would "drop a bombshell" and "tell all" if given immunity. I asked the Department of Justice for immunity for her. When Dr. MacDonald's new defense attorney (a former Assistant U.S. Attorney) learned about this in 1982, he wrote to the Department of Justice and told them to disregard my request. There was never any follow up.

Stoeckley died in January 1983. She had been dead in her apartment for four days. She was nude from the waist down, the kitchen faucet was running* and her six month old child was alive on the floor.

*According to informants, Satanists almost always leave a satanic sign at the murder scene. Running water is a known satanic sign.

According to the autopsy report she died of "slight" pneumonia of each lung and cirrhosis of the liver. (Normally this is a lingering death not a sudden death). A week before she died she was beaten up in a parking lot and told to keep her mouth shut. Four days before she died she called Beasley who lived five hours away and told Beasley she had an emergency and must see him immediately. Beasley called MacDonald's defense attorney who forbid him to go to Stoeckley.

On May 5, 1986, P. E. Beasley, retired Fayetteville, North Carolina police officer advised that Helena Stoeckley was his drug informant from 1968 to 1972. Helena told Beasley that drugs, mainly heroin, were being smuggled into the United States in the body cavities of the dead soldiers from Viet Nam. These drugs were being brought into the country in U.S. Army planes. Stoeckley furnished this information to Beasley prior to the MacDonald murders on February 17, 1970.

After the MacDonald murders, Stoeckley told Beasley the drugs were placed in the body cavities in plastic bags after the autopsy in Viet Nam and before the bodies were placed on the airplanes. The bodies were then sewn up and shipped to various U.S. Army air bases in the U.S., including the air base at Fort Bragg. Stoeckley advised that those who handled the bodies in Viet Nam and the U.S. were army personnel. Most of the drugs came from Thailand.

Stoeckley stated she could give names, dates, places and more details after she was given immunity by the U.S. Government. She stated military and civilian police officers were involved in this net work. Stoeckley advised her Satanic Cult group that murdered Colette MacDonald and MacDonald children were involved in this international drug network. Army authorities were concerned that an investigation of Stoeckley's Satanic Cult group involvement in the MacDonald murders could expose this international drug network.

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5/5/86

Fayetteville, N.C.

I, Prince Everette Beasley, make the following free and voluntary statement to Ted L. Gunderson, a private investigator from Los Angeles. No threats or promises were made to get me make this statement.

I was born 6/15/25 at Maxton, N.C. I presently reside at 104 Myra Rd., Raeford, N.C., 28376, Phone: 919-875-3693. I am a retired police officer who served on the Fayetteville, N.C. Police Department from 1953 to 1973.

Helena Streckley was my drug informant from approximately 1968 until 1972. She was turned over to me by Lt. R.A. Studer, Fayetteville, N.C. Police Dept. He turned her over to me because Helena's parents were mad at him for working Helena in the drug community, and because he was made a Lieutenant, and couldn't devote the necessary time to working with her. Studer told me the reason he turned Helena over to me was because of his promotion. Helena told me he turned her over to me because of the problem with her parents.

Shortly after I was assigned to the Narcotic Squad, Helena told me that drugs, primarily heroin, were being smuggled into this country in the body cavities of the dead soldiers being returned by air from Viet Nam to the United States. She named Ike Atkinson as the ring leader. Atkinson was located in Goldsboro, N.C., supposedly working out of Johnson Air Force Base. Helena told me they were smuggling drugs in the same manner into Johnson Air Force Base. Johnson Air Force Base is located at Goldsboro, N.C. She advised Atkinson was in the service, but subsequently got out and continued his business in drugs with the same contacts. I didn't pay much attention to Atkinson because he wasn't in our jurisdiction.

The above information is all that Helena told me up to the time of the MacDonald murders in 1970.

Helena told me after the MacDonald murders that there were contacts in Viet Nam who put the drugs in the G.I.'s bodies, in plastic bags, after the autopsies were complete. The bodies were sewn up and shipped to Pope Air Base, Ft. Bragg, Johnson Air Base, and other bases which she did not name.

When the bodies arrived in the U.S., they were met by a contact in the United States at one of the military bases, and after the drugs were removed by this contact, the bodies were sent to their final destination.

The person who met the bodies at the respective Air Bases knew which bodies to check, based on a pre-determined code. Although I believe Helena knew their identities, she never gave me this information. Helena told me that the people who handled the assignments in Viet Nam, and those who met the planes in the United States, were military personnel. She stated most of the drugs came from Thailand.

Helena stated the drugs and the pickups were made at the base at Fort Bragg. The reason she gave me more details after the MacDonald murders was because she wanted me to know that she knew what she was talking about, and she stated she would give me details, including names, dates, and places, once she was given immunity by the U.S. Government. When Ted L. Gunderson and I initially interviewed her, we told her we would attempt to get immunity for her on these matters.

Helena advised that Spider Newman, his son, Red Newman, Wineford (Winnie) Cole, Tommy Hart, and June Bug Walters (I don't know Walters' real first name) were several steps in the organization under Atkinson. All of these individuals were civilians who operated in the Fayetteville, N.C. area, selling drugs. None of these individuals had a business cover, but sold drugs out of their house.

Those of us in law enforcement knew through our intelligence community that Atkinson ran the Viet Nam smuggling operation on the Eastern Seaboard. I believe Atkinson was arrested by the

Federal Narcotic authorities in the middle 1970's, and he is presently serving time. He was recently turned down on parole. Spider Newman was being tried for drugs in the mid 1970's. There was a court room break, and he was later found in his car behind his home, shot in the head. I later heard that Spider was getting ready to turn states evidence when this happened. The police ruled this a suicide. His trial was in Federal Court. Red Newman has been tried on drugs, and is serving time in the Federal System. Cole went to State Prison on drug charges in Fayetteville.

Winford Cole, Tommy Hart, and June Bug Walters were all tried and convicted of drug trafficking. I believe they were all tried in local and Federal Court at different times. I don't know if Cole and Walters are in jail now, but I know Hart is in the North Carolina State Penal System.

In regard to the Viet Nam operation, Helena told me that military, civilian, and police officers were involved in the Viet Nam drug network. She stated there were two prominent local attorneys and Army officers as high as Generals, who were part of the operation. She stated she would name and identify the people if given immunity by the U.S. Government. I believe this is part of the "bomb shell" she said she was going to drop. Helena never named the police officers she said were involved in the Viet Nam operation, but she did state that Studer and Sonberg were involved in drugs. Possibly these are the individuals she was referring to in regard to the Viet Nam drug network, who were police officers. Helena also told me after the MacDonald murders, that Alan Mazorelle, who was in her coven Satanic Cult, was a drug runner up and down the East Coast. Mazorelle took drugs as far away as Florida and New York City. Mazorelle was in the Army at the time. She never said where Mazorelle obtained his drugs. Helena also told me that Don Harris, also a member of her coven Satanic Cult, was a heavy user of drugs. This is all she said about him.

Helena told me that Dwight Smith was a drug dealer locally. She never said where Smith obtained his drugs. She said Smith was an "alright guy."

Helena told me that Kathy Perry was a user of drugs. She said Perry took as many drugs as she could get her hands on. She said Perry dealt drugs only to maintain her habit.

Helena told me that Greg Mitchell was a dealer and a heavy user of drugs. She never gave details regarding how he dealt, but she stated anytime someone couldn't find drugs, they could always go to Mitchell, and he would have them. At times, he would supply the whole group.

Helena told me that Bruce Fowler was a drug dealer and a user, and that she was his girlfriend. She never gave more details than this.

Dwight Smith, Don Harris, Alan Mazorelle, Bruce Fowler and Greg Mitchell were all in the same coven Satanic cult with Helena, and were all in the military. She stated that all of the above were dangerous, but she was the most afraid of Mazorelle. She stated Mazorelle would kill you in a minute.

I had extensive intelligence files on all of the above close associates of Helena's, but this information has disappeared from the Fayetteville Police files. I learned these files disappeared in August, 1979. During the MacDonald trial I was given a subpoena to bring these records to the trial. It was then that I learned they were gone.

In 1981 or 1982, I talked to Mrs. Greg Mitchell, after Greg had died. She told me Greg had previously told her about drugs being smuggled into the U.S. in the body cavities of the dead G.I.'s from Viet Nam. She stated Greg didn't give her the names of persons involved, but told her about the contacts in Viet Nam who placed the drugs in plastic bags, into the bodies, and others in the U.S. at our Air Bases who met the planes, and took the drugs from the bodies. She stated military personnel were involved in this operation in Viet Nam and in the U.S.

Lieutenant Studer told me in 1968-1969 that drugs were being brought into the U.S. from Viet Nam in the body cavities of the dead soldiers. He said they were being flown into the United States to the military Air Bases, and dispersed from there by contacts within the military.

Studer subsequently was promoted to Captain, Chief of Detectives, but was forced to resign because he misappropriated pornographic material obtained during an investigation. Helena told me that Studer monitored the drugs that Helena obtained, and if he didn't like them he had her exchange those drugs for drugs that Studer could use. Helena told me that if the police obtained drugs on an arrest, they would often be on the street the next day. Studer would take the drugs and give them to Helena to sell back on the street. The only way I know that Studer could get these drugs was from the evidence room. Studer and Detective Larry Sonberg both had keys to the evidence room.

Helena told me that William F. Ivory, C.I.D., and Studer were close friends. She stated that Ivory was dealing drugs with Studer. She stated she would give more details concerning Ivory if she was given immunity. Ivory was involved in the crime scene search on the MacDonald case. She also stated she would give more information on Studer if she was given immunity.

Joseph Bullock was an informant and undercover operator for me and Studer from 1969 to 1971. Bullock advised me that he saw Studer and Ivory exchange envelopes on occasion at the Dunkin' Donuts, Bragg Blvd., Fayetteville, N.C., during this period of time. Studer dropped Bullock shortly after this because, according to Bullock, Studer knew too much of what was going on. Bullock was subsequently shot in the head during an ambush when he came home from work. It was general knowledge in the community that Bullock was an informant for me. Bullock described Studer as a "son of a bitch."

Sonberg left town unexpectedly, shortly after the MacDonald murders. The rumor was that Sonberg had double-crossed some drug dealers, and had to leave town. Helena told me that Sonberg was dealing

drugs even though he was a police officer. I have no knowledge that Sonberg was involved with the drug operation out of Viet Nam.

Helena once mentioned the name Proctor to me. I don't recall what was said about him, but I know she knew him. I assume she was referring to James Proctor, Judge DePree's former son-in-law. I don't recall if she referred to Proctor by his first name. She mentioned this sometime after the MacDonald murders. She said she would talk more about Proctor if given immunity.

Helena told me that 3 or 4 nights after the MacDonald murders she was picked up by Ivory and I believe C.I.D. agent, Shaw. (I don't know his first name.) She stated they talked to her about the MacDonald murders. Helena advised she gave them a story that they didn't believe, and they turned her loose.

Helena told me that Studer contacted her shortly after the MacDonald murders and Studer told her to get out of town because Beasley was after her. She ultimately left, and went to Nashville, Tennessee.

During the time I worked with Helena (1968 to 1972) I estimate that she was responsible, as an informant, for the arrest of hundreds of individuals. I estimate at least 200 persons or more were arrested as a result of information furnished by her.

She set up Mazorelle and Thomas Rizzo for the arrest on drugs just before the MacDonald murders. When I looked for the intelligence files on the Stretchly group in 1979, I recall also looking for the arrest file on Mazorelle and Rizzo for their arrest. I recall they were arrested in January 1970. I remember that these arrest files were intact at that time. I have since been told that the arrest files on Mazorelle and Rizzo are now missing.

It is interesting to note that Mazorelle claims he was in jail the night of the MacDonald murders. He claims he can prove this from Superior Court records in Cumberland County. I have been told there is a slip of paper in the court records that shows Mazorelle was in jail the night of 2/16-17/70. These records are available to the public.

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I know Mazorelle was not in jail 2/16-17/70 because I arrested him in January 1970 and recall that the trial was set for Mazorelle the day of 2/17/70. If Mazorelle had been in jail that date (2/16-17/70) he would have been available for trial on 2/17/70, and I would have appeared in court as a witness. John De Carter of the Sheriff's office was with me in the arrest of Rizzo and Mazorelle and he would have also had to appear in court 2/17/70. I specifically recall that I did not appear in court on any case at the Cumberland County Court House on 2/17/70. I was on the street all day looking for suspects on the MacDonald murders.

I don't recall that Mazorelle was out on bail, but I believe he was, or he would have appeared in court 2/17/70. Since he didn't appear I believe he jumped bail, which means a bench warrant would have been issued for him. I recall he was subsequently arrested in Waycross Georgia for burglary, but I have been informed through my sources in law enforcement that the Waycross arrest records are also missing.

I recall that a bondsman, C.B. Avertt, went to Waycross to extradite Mazorelle for jumping bond on my drug arrest. I talked to Avertt in 1979, and he told me that he didn't recall making the bond and had no record. I talked to him a month later and he recalled that he made bond for Mazorelle for \$2500.00 after the MacDonald murders, which, according to him, would confirm that Mazorelle was in jail the night of 2/16-17/70. Avertt is either involved in the cover up or is mistaken. Mazorelle's bond could not have been made after the MacDonald murders because the trial was set for 2/17/70, as explained above.

I don't have knowledge concerning the possible altering of Court House records concerning the Mazorelle-Rizzo drug arrest, but I recall a number of occasions when Cumberland Court House records were altered after working hours at night. I don't believe Mazorelle was in jail the night of the murders.

In addition to the above, Helena told me that Mazorelle was out that night and involved in the MacDonald murders.

In regard to cases that Helena made for me, I recall that she was responsible for the largest drug recovery in the history of our police department up to the time I retired. Several months before the MacDonald murders, she tipped us on drugs that were being transported from Canada to Fayetteville. Seven suspects were arrested, and over \$20,000.00 worth of drugs were recovered.

Helena was also responsible for the arrest of four suspects from Texas, who were also transporting and selling drugs in Fayetteville. We recovered about \$40,000.00 worth of drugs on this case.

Helena told me about every instance where drugs came into Fayetteville from other areas. At the time I didn't think about it, but I now believe she told us about drugs coming from outside Fayetteville to eliminate competition, probably protecting the local drug scene, i.e. The Viet Nam operation. This is my opinion.

Judge DePree and the U.S. Government have attempted to discredit me, insinuating I am having, and have had mental problems. I would like to point out that I have been on the Police Officers Advisory Commission for North Carolina since before I returned from the Fayetteville Police Department in 1973.

I have read this 8 page statement, and it is true and correct, to the best of my knowledge.

Prince E. Beasley

Witness: Ted L. Gunderson
5/5/86
Fayetteville, N.C.

Coffin and Corruptions

The literature of the illicit narcotics trade bristles with tales of perniciously ingenious capers and official corruption. It will probably be a long time, however, before any new chapters can top the two now unfolding. In one case, it is believed that traffickers used the bodies and caskets of American servicemen to smuggle drugs into the U.S. from Southeast Asia. In the second, huge quantities of heroin confiscated by the New York police department were systematically stolen, put back into the street trade, and may now be a source of horse for the holidays. Herewith reports on the two cases:

Grisly Smuggling

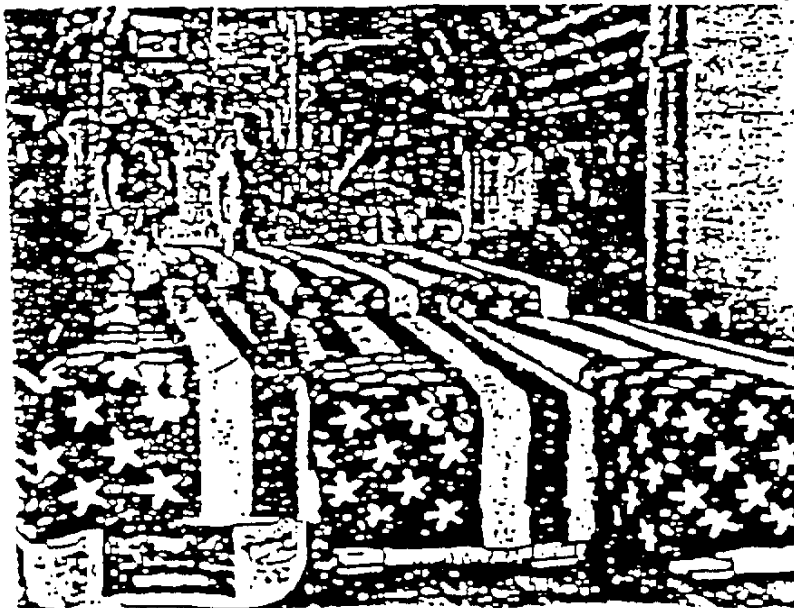
It looked like a routine flight home from Southeast Asia with a stop at Hickam Field, Hawaii, before the final leg to Dover Air Force Base in Delaware. Aboard the KC-135 were 64 passengers, many of them G.I.s, and two military coffins. Suddenly, the plane was ordered to reroute slightly and land at Andrews Air Force Base in Maryland. There federal authorities, acting on a tip that 20 kilos of heroin were aboard, ritually took the transport apart. They did not find any drugs, but they did discover that one of the two bodies, which had undergone autopsy earlier, had recently been restituted.

The agents arrested Thomas Edward Southerland, 31, of Castle Hayne, N.C., who was dressed in the uniform of a U.S. Army sergeant. Southerland, who falsely claimed he had served a five-year hitch in the Army, was arrested on charges of impersonation and using fake documents.

Southerland was arraigned in U.S. district court in Baltimore and held in lieu of \$50,000 bail. That seemed pretty stiff for the formal charges, but Assistant U.S. Attorney Michael E. Marr made the bail stick by convincing a district court last week that Southerland was an "incredibly high bail risk." The reason: federal authorities believe that Southerland is an operative in an international ring that allegedly has been smuggling millions of dollars worth of heroin into the U.S. over the past eight years. The principal *modus transportatilis*, investigators contend, is G.I. cadavers.

The grisly logistics are not as difficult as they may appear to be. Smugglers with access to military facilities apparently have managed to sew the heroin into the corpses in Southeast Asia. While the body count is low these days, it only takes a few to bring in a sizable cache of drugs. The smugglers can do this—as well as travel back and forth at will—by dint of counterfeit credentials. On this flight the heroin was presumably removed at Hickam Field, where many military transports from Indochina stop for 16 to 24 hours before proceeding to the mainland. The planes there are under minimal guard.

Since there are no customs inspections, this is relatively easy. Authorities estimate that the ring buys the drug in Southeast Asia for \$1,700 a kilo and resells it in the States for up to \$250,000. A full-scale investigation is under way both in the U.S. and in Southeast Asia. If it bears out these suspicions, the nation—already battered by the sorry conflict—will find itself face to face with the most vicious case of war-profiteering in its history.



GRISLY LOGISTICS OF SERVICEMEN COMING HOME
grusly logistics are not so difficult.

Will a Bizarre Suit Become a Watergate of the Jungle?

By GEORGIE ANNE GEYER

An incredible suit filed recently in Miami by two Costa Rica-based American journalists threatens to open a potentially scorching chapter in the convoluted story of the United States vs. the Sandinistas.

The suit names 30 Americans, Nicaraguans and Cuban exiles—including two retired generals and two former CIA officials—as being involved in drug trafficking, gun-running and even assassination attempts on anti-Sandinista leader Eden Pastora and Lewis Tumb, the American ambassador to Costa Rica.

If the charges are true, the \$11.5 million lawsuit could provide the "extra" that broke the camel's back in defeating the troubled \$100 million aid to the exiles. But are the charges true? Or is this ideological fantasy, or perhaps something else? Consider the lineup of bizarre characters on all sides.

On the left side of the ring, are the plaintiffs, Terry Avirgin and his wife, Martha Honey, who are stringers for the Associated Press and a member of other news organizations. Both are known in Costa Rican press circles as, in effect, pro-Sandinista agitators. They make such pro-Sandinista statements at press conferences that many consider them to be possibly working for the Marxist Nicaraguan regime.

The suit is being carried by the Christie Institute, which is not a religious organization per se, but is in fact a group of leftist lawyers headed by attorney Daniel Sheehan, who said that the case could be "Watergate II" and could lead to the impeachment of six to 12 members of this Administration, whom he compares to the "Watergate crooks." He was quoted in a United Press article as saying that, with "Judeo-Christian ethics" and the "80s in their hearts, his staff are 'social change artists' who want to 're-link the human family back to their cosmic environment.'"

Also working on the case is Fusion Communications of Washington, a public relations firm headed by David R. Fenton, who in 1983 represented the Nicaraguan government and organized news conferences for officials of the rebel Marxist Farabundo Martí National Liberation Front of El Salvador, which the United States is bitterly opposing.

On the right side of the ring are the defendants, a very mixed bag, which includes such respected men as retired Army Maj. Gen. John Singlaub (who has been raising non-military aid money for the contra), John Hull, a CIA-connected rancher in Costa Rica and a whole caboodle of Cuban and Nicaraguan adventurers involved in the contra struggle against the Sandinistas in Costa Rica.

While the case involves all sorts of dramatic allegations, what is perhaps most important is that the complaint challenges the common view that the May 23, 1984,

bombing at La Fencia, the base camp of anti-Sandinista leader Eden "Commander Zero" Pastora, was carried out by the Sandinistas through a man pretending to be a Danish journalist named Per Hansen.

Instead, in a bizarre new turn, Avirgin and Honey accused one of the defendants, an anti-Kaddafi and far-right Libyan, Amos Gadi, now living in Miami, of the crime, which did not kill Pastora but did kill several others at the camp that day. As if that is not enough for one's conspiracy quotient, they say that Gadi was working for the far-rightist Chelton Intelligence service, and that his Libyan nationality would have served to focus blame on Col. Mouammar Kaddafi instead of the U.S. group. And if that is not enough, they accuse this group of planning to assassinate Tumb, blame that on the Sandinistas and then invoke an American attack on Managua.

Since there has been no attempt to hide the ideological propensities of the people pushing the suit, one might reasonably extrapolate that the Sandinistas would love to see an action like this used to destroy the contra's financing and their always testering respectability once and for all.

But Associated Press reporters did top-notch investigative work a year ago and, while they found several lower-level contra involved in drug smuggling with the Colombians (and who wanted the United States to play a role in "busting" the Colombians), the reporters did not find high-level involvement.

We know that certain far-right elements within the Reagan Administration and the CIA, and the National Security Council wanted Pastora out. He is a charismatic leader who can be bulky at any controls from outside. But that a group of CIA or NBC mavericks, perhaps out of control, would attempt to kill him? And the American ambassador? Until now, thank God, there has been no evidence of that kind of horror, but there has been evidence of the Sandinistas' attempt, such as a Besque terrorist now back in jail in Spain, who was sent from Managua three years ago to assassinate Pastora.

One can only pray that there is no truth to these charges. One can only hope the CIA and the NBC, which has been directing a lot of this mischief down there, have learned to keep these kinds of adventurer/killers in rein and that they are not repeating the kinds of damage that they have done to the United States in the past.

One can only hope that the suit is, as it initially seems, a Sandinista, or Cuban, or combined leftist attempt to discredit all contra aid. Because if the charges are even moderately true, the Administration is in for some new trouble.

Georgie Anne Geyer is a syndicated columnist.

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The following article appeared in the April, 1988 issue of
INTERVIEW Magazine:

Note Mr. Daniel Sheehan states the CIA flew drugs into the U.S.
during the Viet Nam War. If the Army and the CIA flew drugs in-
to the U.S. during this period there possibly was collusion be-
tween members of these agencies.

(2)

MORE CHRISTIC INSTITUTE CONTRA- VERSITY

The Christie Institute's Daniel Sheehan spins a tale of secret wars, CIA schemes, and global conspiracy.

Sometime this summer, Daniel Sheehan, chief counsel to the Christie Institute, a Washington public-interest law firm, is finally going to get his chance to take on what he calls the "secret team." Sheehan, representing a freelance journalist injured in a bombing attempt on the life of an uncooperative contra leader in Nicaragua, has been arguing that a group of 29 men, many of whom are ex-U.S. intelligence officers, have been overseeing a secret war of covert assassination, drug smuggling, gunrunning, and general terrorism with the assistance of U.S. officials who approve of their anticommunist orientation. Because of the unique provisions of the Racketeer Influenced and Corrupt Organization (RICO) Act, Sheehan has the right—he can show injury to his client—to sue an entire syndicate for damages (in this case \$20 million worth) even though not all members are accused of plotting the bombing. In the view of Sheehan and his advisers, the Iran/Contra hearings were just a sideshow. The real show will take place this summer. Sheehan is no stranger to well-publicized, controversial legal causes. Among the cases he has participated in are the \$1.3 million settlement won by the estate of

levelled against the city of Greensboro, North Carolina, two police officers, and the Ku Klux Klan for the families of five demonstrators killed in a 1979 rally (this despite verdicts of innocence in state and federal trials of the same defendants); the First Amendment criminal defense of the United Artists film *Last Tango in Paris*; and, as a young associate at Cahill, Gordon and Reindel, *The New York Times'* victory in the Pentagon Papers case.

Sheehan is working with his wife, Sarah Nelson, executive director of the Institute, to put together the massive legal case against the alleged conspirators. Sheehan says that Christie runs on an annual budget of \$3 million; most of the 60 staff members, including Sheehan and Nelson, earn just over \$15,000 a year. While Sheehan's considerable charisma and Christie's dramatic charges have excited progressives throughout the country, most of Washington remains quite skeptical.

Sheehan was interviewed in the Christie Institute's headquarters, in a decaying neighborhood in Northeast Washington. His office—a fifteen-minute walk from the Capitol steps—is situated in an aging brownstone far away from the power law firms on K Street

by
Eric
Alterman

ERIC ALTERMAN: So you're going to nail the "secret team" in court. Let's start at the beginning. We've got a bombing that takes place when?

DANIEL SHEEHAN: May 30, 1984.

EA: Contra leader Eden Pastora, who's not cooperating with the CIA, is bombed at his press conference in La Penca, Nicaragua, just over the Costa Rican border. Three journalists are killed—

DS: And five others—nonjournalists. Eighteen to twenty-four people are seriously injured. We don't know the exact count.

EA: Pastora is injured but not killed. The United States blames the Sandinistas.

DS: The United States doesn't do anything. The Reagan administration—executive branch, State Department, and CIA—all accuse the Sandinistas.

EA: Your client, ABC cameraman Tony Sirgan, is injured in the bombing. He and his wife, fellow journalist Martha Honey, launch an investigation for the Committee to Protect Journalists; they name John Hull as the man who facilitated the bombing.

DS: That's right.

EA: John Hull sues them for libel.

DS: Brings an actual criminal charge against them in Costa Rica.

EA: And loses. Enter Darryl Sheehan?

DS: Right. I said to Tony and Martha, "Look, you ought to continue with this thing, sue them in the federal court in Miami. We'll do that for you." In May of 1986, they retained the Christie Institute to prepare a civil case against 29 people who conspired to blow up the press conference. More broadly, we are charging under the Racketeer Influenced and Corrupt Organizations (RICO) Act that these 29 people organized a "criminal racketeering enterprise" that engaged in drug smuggling, gunrunning, political assassinations, money laundering, and other criminal acts in support of the contras and earlier covert wars.

Under the RICO Act, we are given broad powers to subpoena and examine these people's business records and other transactions. Under RICO, in order to have standing to prosecute the syndicate, a member of the syndicate or one of its lieutenants has to have injured you in your commercial activities. A cameraman's equipment was blown up and his business wrecked. We've got standing, then, to go after the people who bombed him. We're going after people like John Hull, Felipe Vidal, René Corvo, the Villaverde brothers, Ramón Palacio, and others. We talk about the detailed meetings that took place to plan the bombing. We name who was there. We're saying that they used C-4 explosives, which were part of the syndi-

cate's shipment of arms to mount an illegal war against Nicaragua. Pastora was in the way. Members of the syndicate took steps to eliminate him.

EA: This is the CIA?

DS: This is men in the CIA. There's a group of men within, and around, the CIA who've been involved together in covert activities since the passage of the National Security Act in 1947, which set up the Central Intelligence Agency. Clark Clifford (Counsel to the President under Truman) stated expressly that there was never any intention to allow members of the CIA the right to engage in covert actions. What happened is that field operators in the agency decided to garner that authority for themselves. But we can't really get at any of them because they weren't directly involved in the supply of military equipment that injured our clients. We tracked as far back as we could,

to 1959, to find the guys who were directly involved. We saw very clearly that they had undertaken a virtually identical operation against Cuba.

EA: This is the "secret team"?

DS: Exactly right. They crossed into a totally black area when they decided to set up a secret assassination program to eliminate Castro. In order to disguise it, they worked with the Mafia: Santo Trafficanti, Johnny Roselli, Sam Giancana—these were garden-variety Mafiosi. That way, if any part of their enterprise was ever exposed, people would say the mob did it. It was a good piece of disinformation. It was believable. They got in bed with organized crime. If they could assassinate Castro, the payoff would be that the racketeering syndicate could reestablish itself in Cuba. It didn't work, but these people established relationships with the Mafia. There's a lot of information that the Mafia has access to which is of importance to a covert operations group. It's a whole milieu in which to move. Theodore Shackley ran the operation. It was shut down because several operatives were caught smuggling drugs into the U.S. in 1965. When this happened, Shackley and his deputy, Tom Clines, were transferred to Laos.

EA: How do you know that Clines was his deputy?

DS: Clines was the director of training. I know that because I've talked to Carl Jenkins, a fellow CIA agent, who trained the guys on the ground. Clines took over from Jenkins. Shackley went over to Laos. I know that from talking to CIA people in Laos. I know that from talking to guys in the Criminal Investigation Division of the U.S. Army who met with him. I know that from talking to Jerry Zeilman, chief of staff for General Counsel for the Committee

to Investigate the Assassination of Dr. Martin Luther King, Jr. when he had portfolios spread out all over the floor, trying to figure out who he was going to bring in. He picked Clines last.

I know they were trying to recruit an opium warlord named Vang Pao in order to use his Hmong tribesmen as "unconventional warfare" assets. During 1965, Vang Pao's competitors in the opium-trafficking business were mysteriously assassinated. Vang Pao was totally grateful to be the monopoly controller of opium in exchange for his services. It was a very subtle and smooth operation. Shackley, Clines, and Ollie's buddy Richard Secord didn't want the communist Pathet Lao (the Laotian equivalent of the Viet Cong) to come into power. They told Vang Pao, "We've got some trainers here," Carl Jenkins, Chi Chi Quintero, and Bismark Chavez. They engaged in an "overt" covert operation, which essentially consisted of hunting down the leadership of the Pathet Lao and a "covert" covert section, which assassinated them.

Basically the whole program in Southeast Asia ran from '65 to '75. Even though Shackley and Clines bounced out of there for a two-year period, from '71 to '73—when they were back at CIA headquarters in Langley, Virginia, doing Western Hemisphere stuff, which was primarily Chile—by September of '73 they were again in charge of Far East operations. At that point, Carl Jenkins asked for early retirement from the CIA. He went to Australia. Then Richard Secord started showing up in Australia. Chi Chi Quintero started showing up in Australia. Tom Clines started showing up in Australia. Michael Hand, a former Green Beret, started show-

ing up in Australia. They all showed up at the same place—the Nugan-Hand Bank in Sydney. We've got a New South Wales investigative report on the Nugan-Hand Bank to prove it. We've also got direct information on the tonnage of weapons removed from Vietnam during the last two years of the war and brought to an indoor air base in Thailand. You've got money going down to Nugan-Hand and weaponry going to the air base.

EA: So these men in high positions in the CIA are smuggling heroin out of Laos and Vietnam, storing guns in Thailand, and depositing money in Australia?

DS: That's right.

EA: John Stockwell, Ralph McGhee, and Frank Snepp—dissident ex-CIA agents—have problems with your thesis at this point. They attribute the transportation of heroin and the smuggling of guns directly to the CIA.

DS: They're saying that this is definitely the CIA running the operation as a matter of policy. I don't know that to be true. If

tacking me for being more conservative in my charges than they are. They're saying that the CIA did it. I'm saying that all I've got is that these men did it.

EA: Pick it up from there.

DS: At that stage, from 1971, when the Phoenix Project was exposed, to 1976, which was the year to elect a new president, there was a whole chain of public revelations about covert operations by Senator Frank Church's Select Committee to Study Government Operations. Not just the Phoenix Project or the Cuban stuff, but also domestic covert operations: FBI phone taps, Operations Chaos, Cable Splicer, and Leprechaun. The CIA plot to overthrow elected socialist president Salvador Allende in Chile was being exposed.

In 1975, Shackley, who was the associate deputy director for operations—this is a savvy guy we're dealing with—says, "We've got potential big trouble here." He calls a meeting, off the record. A conversation occurs in the winter of '75 to '76, in the armored limousine of Richard Secord. Edwin Wilson, who's sitting there, says, "What if Carter gets elected? What's going to happen to our operations? We're going to have to set up some sort of operation 'outside,' because we know how essential these activities are." All the steps being taken—shipping the weapons to Thailand, the money to Australia—are "preparations." In my opinion, they are not a "back channel" for the agency. They are preparations for an "off-the-shelf" operation, if it becomes necessary.

EA: Like that described by Ollie North at the Iran/contra hearings?

DS: Exactly. After Carter was elected in November of 1976, Shackley, Clines, Secord, Erich von Marbod [assistant secretary of state for Far Eastern affairs under Kissinger], and Wilson met at the Crystal City Marriott Hotel. They said, "Bingo! It's happened. We're looking at a reform administration here. This means curtains for our operation. We're going to have to set up a private company to be able to continue." And they set up the International Research and Trade Corporation (IRT). One of Wilson's attorneys started setting things up over in Switzerland; they set something up down in the Grand Caymans. They set up the account in Switzerland; IRT became partners with the Egyptian-American Transport and Service Company (EATSCO). Clines came out of

office for IRT, which later became EATSCO, because EATSCO owned 51 percent of IRT. That's their operation. The partners were Shackley, Clines, Secord, von Marbod, and Wilson.

EA: This company was set up to transfer arms to Egypt in the aftermath of the Camp David Accord?

DS: That's right. This is the "off-the-shelf" operation.

EA: Tell me about their connection to the Shah and Somoza.

DS: The link between Iran and Nicaragua is really a fascinating one. Wilson was working for Clines and Shackley in Iran. He was supplying electronic surveillance equipment to the SAVAK, the Shah's secret police, to help them in their search-and-destroy missions against alleged terrorists opposing the Shah.

EA: Officially or unofficially?

DS: Officially through 1976. But Wilson's funding was axed because he wouldn't reveal what the program was about. However, in 1977 Wilson discovered that he was still being funded—by someone else. He was working directly for Shackley and Clines, who were both still in the agency.

EA: So Wilson was unwittingly working for a private company and no longer for the U.S. government?

DS: Wittingly or unwittingly—with Wilson, it doesn't make much difference, as long as he thinks he's covered. He's doing that operation. He's going with them when they bust all these people—they line them up and blow them away. They kill them, one right after another, time after time, mission after mission. He knew exactly what was happening.

EA: They were opponents of the Shah?

DS: That's right. Then they discover that there's a group of Iranians being trained outside Iran who are coming back into the country and assassinating the SAVAK leadership. Shackley and Clines tip Wilson that they're being trained somewhere in Libya. Wilson moves in with fellow CIA agent Frank Terpil and the others, who first start supplying slow fuses to the Libyans, then C-4 explosives, then trainers to use the C-4s, and then assassins, and it goes on up the hierarchy until Wilson can locate the base. He finds the base. He gets a PLO contact to tell him when the next group of five people are leaving Libya for Iran. He gets the false names on their passports and their flight numbers. And then they're assassinated. He also finds out that a group of Nicaraguans and Salvadorans, as well as people against Marcos in the Philippines, are being trained in Libya.

EA: These are left-wing people?

DS: Oh, yes. They're all in Libya: opponents of Marcos, opponents of Somoza, opponents of the government in El Sal-

call a real live terrorist training base? DS: The executive branch would. They were direct-action teams. I'm not taking position on this, good or bad. I Shackley's group is assassinating the Wilson is told to pass the information the Nicaraguans being trained in Libya: Chi Chi Quintero.

EA: Who was Chi Chi Quintero working for?

DS: For Shackley and Clines.

EA: Was he on the CIA payroll when George Bush was the director and Gerald Ford?

DS: No. He worked in the security department of Pemex—the Mexican national monopoly—under Jorge DIAZ SERRA

who was the former business partner George Bush at the Zuma Oil Company. In fact, Shackley was the director of operations under George Bush at the CIA. In October of 1977, Carter cut off military equipment and further intelligence information to Somoza. In February of 1978 Wilson, Clines, Doug Schlaachter—longtime Wilson associate—Quintero and Good-Time Charlie Wilson—a congressman from Texas—fly to Nicaragua meet with Somoza and offer him a deal: they're going to give him intelligence information on his opponents, coming in Nicaragua, who ought to be assassinated. They have a special security team of fifteen men, paid \$80,000 apiece, headed up by Chi Chi Quintero. We've got the paper the contracts, everything. And they offer to sell Somoza the weapons that have been cut off. They carry on negotiations for a year, from February of 1978 to February 1979. The deal is closed by Chi Chi Quintero. How do I know that? Because Quintero told Carl Jenkins about it in detail.

EA: Why do you think Jenkins gave this information?

DS: To try to protect the CIA. He sat down in a meeting with this guy Ferguson the deputy of Bob Gates [deputy director of the CIA], who said, "I want you understand this: Shackley's operation not the CIA's. If you're going to sue, let the chips fall where they may. It is us."

So they've got a major assassination operation going on down there in Central America. They started to supply equipment to Somoza before he fell. Afterward Quintero reestablished the contract: continued to supply Somoza's top fifteen military commanders, in their incarnation as the "contras." To this day, the top fifteen of the fifteen military commanders of the contra army are the same men who were present at those meetings with Quintero. They're being supplied by Shackley, Clines, Secord, and Albert Hakim, v

Get me to Ollie North.

DS: January '81, in comes Ronald Reagan. The new administration decides to supply military equipment to the *contras*. What are they going to use? They've got a whole gunrunning network set up by Theodore Shackley.

EA: Did Bill Casey have any relationship with these people?

DS: Well, Shackley was the director of the transition team for covert operations for the Reagan administration, selected by Bill Casey. But they couldn't bring Shackley back into the CIA, because it would reveal that he was Wilson's partner, and, by this point, Wilson had been indicted for selling arms to Qaddafi.

EA: What happens then?

DS: Casey takes over the *contra* supply operation. This is where it's not clear. The information we have is that the CIA used the same supply network—the same guys who got caught mining the Nicaraguan harbors and passing out assassination manuals. This is no accident. Well, if there was supposedly no big assassination program going on down there, what were all these dead bodies? They were just assassinations from the program. And, as of 1981, a particular guy had to give the okay on all of these hits before they could be made. That was William Buckley.

EA: William Buckley, the CIA agent who was held hostage?

DS: That's right. The head of the antiterrorist group of the CIA, whom they stupidly sent over to become the Beirut station chief for the agency. In March of '84, Buckley was kidnapped and taken out to the Bekaa Valley outside Beirut. He was then taken to Iran, to the holy city of Qum, but brought back to die in the Bekaa Valley.

EA: Does this explain the CIA's and the White House's obsession with Buckley?

DS: That's exactly right. Because he started talking about the "off-the-shelf" operation—the assassination program.

EA: Why haven't the Iranians revealed what he said?

DS: Because that's exactly what has given them the leverage to get the Tow missiles.

EA: But right now, that's over with?

DS: It isn't over with. It isn't close to over with. George Shultz made three more passes at getting those missiles, even after the arms deal was revealed. You just go check it. [The public record of the Iran/contra affair shows only one meeting, on December 13, 1986, between State De-

partment and CIA officials and representatives of the Iranian government after the arms sales were revealed—ed.]

EA: The existence of Buckley's videotaped confession is keeping Iran safe from the United States?

DS: First meeting in January of November of '84. It's no coincidence; you've got this private enterprise engaged in a number of operations. They've got an assassination program going, which is functioning under Shackley, Clines, and Quintero. They've got Secord supplying weapons. They're supplying weapons not only to the *contras*, but also to the anti-Marxist UNITA rebels in Angola and the rebels in Ethiopia, as they had to the Smith government in Rhodesia in the '70s—all over the place. They've got six major theaters of operation. Congress doesn't have the spine, from their point of view, to do what has to be done to fight the communists. Then, when they take Buckley in Iran, it turns out these guys who are involved in the "off-the-shelf" operation are the same ones who were eliminating terrorists in Iran with Wilson. Why is it that the same guys who are running the stuff to the *contras* somehow end up in the middle of the Tow missile sale? Why does that happen? There must be more people around than that who can speak Farsi. But you don't have more people than that who work for Shackley. That's how that thing comes down.

EA: First of all, how do you know that Shackley is the man in charge here? David McMichael, who also works at the Christie Institute and is a former CIA agent—a "dissident" CIA agent—says that this is only a passing hypothesis.

DS: I know it because the people who told me that Secord, Hakim, and Clines were supplying weapons to the *contras* are the same ones who said that this was Shackley's operation.

EA: You've given those sources to the judge, but you haven't released them to the media?

DS: That's right.

EA: You refuse to give them to the media?

DS: No; I don't. Each time the question has come up, I've told you who they were. I told you about Carl Jenkins. And there's Eugene Wheaton, a retired U.S. Air Force warrant officer. Wheaton was an antiterrorist advisor to the SAVAK for the U.S. Army. He knows all these guys. He was involved with some of the officers in the Air Force's special investigations section who were looking into cost overruns and overcharges from when Secord was the Foreign Military Sales director.

EA: So your sources are Jenkins and Wheaton?

DS: Right. Jenkins, Wheaton, and Ferguson.

EA: What happened next?

DS: Casey comes on board, and the supply network functions from June of 1981. But by March of '84, Casey knew that the jig was up. Congress was going to pass the

take their hands off and let it run. And it continues to run.

EA: What is Ollie North's relationship to the "enterprise"?

DS: North was the deputy director of the National Security Council in charge of "political and military liaison," whatever that means. He was "liaison" to the secret

team. Buckley was kidnapped in March of '84, and in April of that year the National Security Council Decision Directive 138 was signed. The directive formed a Terrorist Interagency Working Group headed by none other than Ollie North. Ollie was an expert on terrorism; he got involved with the antiterrorist dimensions of the thing. Then the CIA took its hands off. Since Ollie was more involved than he was supposed to be, given the Boland Amendment, all the fire came down on him.

EA: He's taking the hit.

DS: That's right. But he ain't running the show.

EA: Tell me what the show is with regard to drug running in Nicaragua and how your clients were wronged.

DS: The fact is, we don't have any evidence that the *contras* were directly involved in drug smuggling until mid-1983 to mid-1984—when Congress was considering cutting off funding. For years, the anti-Castro 2506 Brigade in Miami has acted as the middleman for the Medellín Cartel and the Galante family—the Mafia—to bring cocaine into the United States. They use the money to buy weapons. They've got warehouses full for that great day when they can retake the fatherland. They saw that the syndicate was trying to open up the Southern Front, on the border between Nicaragua and Costa Rica, near La Penca. They said, "Why don't we go down there and establish another base outside the United States?"

It was a double agenda: to get involved with anticommunist fighting and to set up a midshipment point for drug smuggling. They wanted to ally themselves with the FDN [Nicaraguan Democratic Force—the main *contra* army], which was getting supplied by the syndicate. The FDN said okay, but Eden Pastora refused to deal with them. He and the FDN were rival *contra* factions, and Pastora was already on the Southern Front. The Cubans got all upset. They went to John Hull.

EA: An American citizen living on a ranch in Costa Rica.

DS: A North American guy. Twenty-five years down there. He's not only a recipient of the syndicate's weapons for the *contras* down there; he's the base of operations for ultra-right-wing crazies, like Tom Posey's Civilian Military Assistance group.

EA: This is an American far-right paramilitary organization, a Soldier of For-

EA: they realize that they can't persuade Pastora to join the FDN. Hull's guys, being more sophisticated than the average bear, start saying, "Hey, what's the story with this guy Pastora? Are you kidding? Just blow him away."

Then Buckley is kidnapped. [Duane] Dewey Clarridge, who was running Latin American operations, is made the director of the CIA's Counterterrorism Center. He replaces Buckley. He delivers an ultimatum to Pastora through contra leader Alfonso Robelo: "You've got 30 days. Either you submit totally to the control of the FDN—the FDN will run the Southern Front, and you will take orders from them—or you're out of this operation." Comes the 30th, Pastora is going to stand right up to them. Going to call a press conference and spit in their eyes. He calls a press conference, they blow him up. EA: But what exactly is the connection to the "secret team"?

DS: Shackley was in charge of the assassination program, which they code-named "Fish Fire." Secord was in charge of air operations, the supply of weaponry. They've tried to open up the Southern Front. Their people have got the power to come in and run the Southern Front, and this guy has got to go. So he does. The enterprise not only supplied the C-4 explosives with the specific knowledge that they would be used for terrorist bombings inside Nicaragua, against civilians, to show that the Sandinistas can't protect people, but also, there was a specific objective: to get rid of Pastora.

EA: What do you hope to accomplish with the affidavit against these guys?

DS: We hope to obtain all the information on the activities of these people from January 1, 1959, to show the people of the United States, in an irrefutable way, what happened. Then we will obtain a judgment against the "secret team." We will require that the court face the question, which nobody wants to ask: does the executive branch have the authority to allow people to murder in a nondeclared war situation? I don't think so. We want to get that ruled upon. Then, very importantly, we want to demonstrate that an "off-the-shelf," standing-alone, self-financing covert-operations capacity, which the Iran/contra investigation supposedly revealed and put an end to, existed in this form since 1977; exists today; and will continue to exist, unless something is done to stop it.

EA: The Christie Institute, you, and specifically this affidavit have very little credibility in Washington.

DS: Because Washington didn't want to admit that the enterprise existed in the first place.

EA: Why didn't you come through with your sources when you testified before the House Select Committee on Narcotics



DS: Do you want to hear how that thing went? I'll tell you exactly how. I said, "Look, the Democratic majority in Congress is trying to get information to prove that the *contras* are running drugs. The Republican Party in this administration supports the *contras*. Ergo, the Republican Party is endorsing drug smuggling in this country. Isn't that awful? That's not how this thing should go." I said, "I'm pretty willing to give you the sources. But if I give them to you, the Republican guys sitting here—Uob Dornan [Republican, California] and the others—will be compelled to deny it. They'll say that it isn't true. They will be compelled to go out and talk to their *contra* friends and tell them exactly who the sources are. So I'd like to propose that we form a subcommittee of three Republicans, chosen by the Republicans, and two Democrats, chosen by the Democrats, so that the Republicans control the subgroup. I will sit down with them and give them every single source I've got. Not only that—I will personally take you to a source."

EA: Why doesn't Washington believe you today, even after all that we've heard?

DS: Because it's taboo, talking about this group.

EA: But it's not taboo among liberal Democrats.

DS: It sure is taboo among liberal Democrats. Liberal Democrats are being told to vote \$36 million to the *contras*. What, are you kidding?

EA: You shouldn't say that, because you

DS: But you watch what they're going to do. The Republicans are all moaning and groaning right now, saying, "You've got to support the \$36 million for the *contras*, or else we're not going to be able to stop the Sandinistas." I've run into this all the time. If the Republican Party advocated executing everyone over six feet tall, the Democrats would advocate executing everyone over six-foot-four. Then they'd attack you for not supporting their bill on these grounds: think about all the people whose lives you could be saving between six feet and six-foot-four. That's exactly how they function in this town. [The administration's \$36 million plan was narrowly defeated in the House. Democratic leaders then proposed an "alternative" \$30 million *contra* aid plan, which was also defeated.—ed.]

EA: What's the essence of this corruption?

DS: It's dialectical, deriving from pragmatic, local politics. There's no real effective protection of the public interest. What's the most radical statement you can get out of Senator Dodd [Democrat, Connecticut]? Dodd will say, "We all agree that something should be done about the Sandinista government down there because, you know, they're Marxists, but we disagree on how it should be done."

EA: What was the function of the Iran/Contra committee?

DS: The function of the Iran/Contra committee was to respond to the fact that Ed Meese was getting ahead of the curve. We were talking to these guys for six months to try to get them to set up a select committee. We were offering them any sources they wanted. They wouldn't do a thing about it because there was no short-term political advantage. It's a criticism of the limitations of our democratic system. The difference between reality and political pretense is profound in this town. I'm not trying to be vulgar or hanging my tie in my drink with these people. I'm simply saying that the Constitution is in major danger here. There is a covert structure in place, which Congress knows is in place. These guys are not dumb. They know this thing exists, but they don't want to talk about it.

When we were trying to set up a select committee hearing, Peter Rodino, the Democratic chairman of the House Judiciary Committee, said, "My God, if this is true, my whole life has been a lie. I've been telling people to vote for their congressman, to write to their congressman if they disagree with a certain policy. If this is true, we haven't been in charge. I'm not going to investigate anything like that." What does that mean? The evolution of our political consciousness has a long way to go.

The difficulty is that the American people have a deep and abiding sense that they're being hoodwinked by politicians. They don't know exactly how. The fact is, when you go out and tell them about this thing, they say, "Right!" Seventy-three percent of the American people don't support giving a dime to the *contras*. The lowest the polls have gone is fifty-nine percent. How are these guys reflecting that over here in Washington? Do you see seventy-three percent of the congressmen saying, "My constituents don't support this?"

EA: A lot of people who are hoping for your success feel that you've overplayed your hand; that, by not being careful enough about the accusations and sources in your affidavit, which may be seized upon in court, you could put the country in an even worse position, in effect clearing these guys by destroying your own credibility.

DS: The fact is, without the affidavit, we wouldn't be anywhere at all. I've set forth the information on the basis of a good faith belief as to what is true, and I have dared to say what nobody wanted to say. There may be a disagreement over particular items. Obviously, I'll be able to demonstrate that big opium money has been used to fund a covert operation. We're very big on that. Former agents are saying that they believe it's true.

EA: David McMichael's "Christie is not so sure."

DS: For someone not to believe it, they don't know it, and they have a regular proclivity for saying that if they don't know, it can't be true. "How could something be true without my knowing it?" That is the arrogance of Washington. That is what we ran into at the very beginning. But we're in the process of showing *serialism* that our claims are true. It's my opinion that we have been very responsible and will be held responsible for proving what we've said. The fact is that we have laid it down in a court of law. In the deposition, the defendants were pleading the Fifth Amendment, or claiming the privilege not to talk about it for "national security" reasons. They're not saying it isn't true, nor are they willing to say how it isn't true.

Theodore Shackley just published an article in the Journal of Defense and Diplomacy saying, "How in the world could these outrageous people suggest that there was narcotics trafficking by anyone in the intelligence community in Southeast Asia? If it were true, surely the U.S. Army would have proved it." Isn't that logic bizarre? On the other hand, if you walk up to most guys who were down there, guys like David McMichael, and say, "Gee, the intelligence community was trafficking in opium in Southeast Asia," they'll say, "Oh yeah, what's new?"

EA: One of your main sources is Edwin Wilson, who was prosecuted for selling weapons to Qaddafi, among other things, and is spending the rest of his life in Marion Prison. According to your argument, he was a main player in the "secret team." Is he the most credible of witnesses?

DS: He was sitting down there in K Unit, with nobody talking to him. I said, "I'm aware that you believe you somehow got the shaft. And I want you to explain to me why you think you got the shaft. I know that you were in there, dealing with the guys who set up the assassination program. You're in prison for 52 years. Nobody gives a shit about you. They all think you're a total asshole. If you want to explain why you're not, here I am." And so he started talking to me. When he'd get to a particular point, if he didn't want to talk about it, I'd say, "I know about that," and I'd tell him what I knew. He'd say, "How did you find out?" I'd say, "It doesn't matter how; just tell me about this part." And he'd tell me.

EA: You seem an unlikely person for Wilson to choose as a confessor. Why you?

DS: I don't know. I really don't know. I know that people talk to people and you can never figure out why. I don't know why people talk to cops after they've been arrested. The cops say, "I think you robbed

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banks. I don't know why people do the things that they do. The fact of the matter is, they like to talk about it. Some of them are trying to feed you disinformation, so they give you part of the truth and then put a spin on it. I think I've been able to weed out what's true from what isn't. That's the primary mechanism here. I keep what I can verify. The rest is disinformation. I assemble the pieces from many different sources. They all know that I'm talking to other people. They feel compelled to beef up their story. To the extent that stories match, I get verification. To the extent that they differ, I have to check to see whether or not it's true.

EA: What are you going to do after you've won the case?

DS: We're going to take steps to see that the new administration and Congress launch major investigative hearings into the activities of the "secret team" and raise the question: where did their authority come from? If Clark Clifford, in the National Security Act of 1947, and the man who drafted the law to create the CIA, said that there was no intention to allow covert activities, where does the authority originate? It's clearly not consistent with our democratic process. We can't just criticize—and that is the hard part. We have to ask Congress to address the problem. How do they intend to deal with it? A long discussion has to be undertaken. The liberal community doesn't want to do it. That's part of the reason why these guys will talk to me. They think I'm more like them than a lot of the liberals. □



General Vang Pao, commander of Laotian forces, on January 21, 1972, the day reporters were first admitted to the once-secret base at Long Cheng, Laos.

Afterword:

DOES THE CHRISTIC INSTITUTE'S CASE HOLD UP?

by Ken Silverstein

The latest expression of the Christic Institute's case is the famous 45-page affidavit drawn up by Daniel Sheehan and his colleagues on behalf of their clients, the journalists Martha Honey and Tony Avirgan. The couple retained Sheehan after Avirgan was seriously injured in the bombing attempt on contra leader Eden Pastora's life at La Penca in 1984. The affidavit sets forth Sheehan's theory as to who was behind the bombing. Despite some dubious assertions, the portion of Christic's investigation dealing with the immediate circumstances of the bombing carries weight. It's when Sheehan and his associates start to spin their worldwide web of intrigue that questions arise.

One central problem stems from Christic's apparent desire to avoid charging any agency of the U.S. government, and in particular the CIA, with complicity in the plot. Instead, the affidavit proposes a "secret team" of private individuals masterminding decades of criminal conspiracy, including assassinations and drug smuggling. The practical consequence of confining the accusations to these individuals is that Christic's case will not be contacted by the U.S. Justice Department, with its limitless financial resources, but this expedient—if such it was—has not helped the persuasiveness of the case.

The basic premise of the Christic Institute lawsuit is that a secret team of former CIA officials, U.S. military officers, and arms merchants, led by Theodore Shackley and his loyal "deputy," Thomas Clines, is the group that masterminded the *contra* affair. The team, as the theory goes, has worked together since the late 1950s, planning the Bay of Pigs operation and other anti-Castro activities. Their ac-

tions over the past 27 years have included covert operations on several continents. Major operations included running the secret war in Laos in the 1960s, assassinating political opponents of the Shah, destabilizing Allende's Chile in the 1970s, and organizing the *contra* war in the 1980s. At times the team has worked with the knowledge and cooperation of the CIA and at times as an "off-the-shelf," off-the-books private army.

Unfortunately, the theory, as advanced in the affidavit, that is the basis of the lawsuit and Daniel Sheehan's public pronouncements, is marred by factual errors and what one critic has referred to as "excessive extrapolation." Some of the mistakes, though minor, cast some doubt on the reliability of Sheehan and Christic. Dates are inaccurate, and numbers are seemingly plucked from the air. But the most serious problems involve Sheehan's contentions about the secret team's actual activities during the past several decades.

According to the affidavit, CIA officers Shackley and Clines were both transferred from Cuba to Laos in 1965. The following year Shackley was named chief of station, with Clines serving as his deputy. Their primary duties involved training indigenous Hmong tribesmen in unconventional-warfare activities, with a special emphasis on political assassination. According to the affidavit, this Hmong unit "secretly assassinated over 100,000 non-combatant village mayors, bookkeepers, clerks and other civilian bureaucrats in the countries of Laos, Cambodia and Thailand." They funded these activities largely through kickbacks from the opium profits of Vang Pao (spelled Van Pao in the affidavit), a warlord whom Shackley had

According to Ralph McGehee, an ex-CIA agent who served with Shackley in Southeast Asia and is now a major critic of the agency, this account is unreliable. The United States was running a major war in Laos, which included approximately 170,000 sorties per year—mostly bombing runs—between 1969 and 1972. Records show that the entire effort was being funded by the U.S. government, to up to \$260 million per year. To suggest that any significant portion of these activities could have been funded by kickbacks from Vang Pao's drug profits is absurd, says McGehee. He also claims that the figure of 100,000 political assassinations is highly inflated, and points out that the United

States would have no reason to kill civilian bureaucrats in Laos, a country the U.S. was supposed to be defending.

According to the Christic Institute, Shackley and Clines, after transfers to Saigon in the late 1960s, were recalled to the United States in 1972 to direct the "Track II" operation, which involved both the "political assassination of Chilean socialist president Salvador Allende and his chief of staff in Chile and the military overthrow of the democratically elected government... in September of 1973." Actually, the "Track II" operation had begun in 1970, even before Allende took office, and his chief of staff, General Rene Schneider, had been assassinated in October of that year.

From there, Shackley and Clines moved to the CIA's East Asia division, where they "directed the Phoenix Project in Vietnam in 1974 and 1975." The Phoenix Project, the affidavit says, resulted in the political assassination "of some 60,000 village mayors, treasurers, school teachers and other non-Viet Cong administrators." But the Phoenix Project, which began during the 1960s, was over by 1972. William Colby, who supervised the project and was later named director of the agency, has acknowledged that approximately 20,000 people were killed. Some South Vietnamese estimates place the figure as high as 40,000, but no one else has claimed that 60,000 people were assassinated. Also, the purpose of Phoenix was to destroy the political infrastructure of the NLF [National Liberation Front]. It would hardly make sense, then, to target village mayors and treasurers, who were a part of the South Vietnamese political infrastructure. In fact, as McGehee points out, these were the people who were being targeted by the Viet Cong.

After a mid-1970s stint supposedly directing an assassination project against the Shah's opponents, Shackley and Clines supervised Edwin Wilson's dealings with Muammar Qaddafi. Wilson, though providing Qaddafi with arms, explosives, and

According to the affidavit, "intelligence gathering activities—designed to put into his hands the identities, missions and targets of the Libyan, anti-Shah terrorist operations." The operation was blown when Kevin Mulcahy (spelled *Mulcahey* in the affidavit), who worked with Wilson, "unknowingly revealed" his boss' activities to a person friendly with a federal agent.

Here again, the Christie version of events seems to be at odds with what took place. Wilson was providing large quantities of weapons to Qaddafi. If his interest was purely "intelligence gathering" there would seem to be safer means of getting it other than arming a major enemy of the U.S. Though Wilson may have received cooperation and protection from inside the agency, his dealings with Qaddafi were motivated by the huge profits to be had.

The affidavit claims that Rafael Quintero, Raúl Villaverde, and Rafael Villaverde, three Cubans with longstanding ties to the CIA who Sheehan claims have been operatives for the secret team, were contracted by Wilson to murder Libyan terrorists. But the record shows that Wilson offered to pay the Cubans to kill an opponent of Qaddafi's living in Egypt. The three men, who have no moral qualms about murder, are hard-line anticommunists and were upset that Wilson would be aiding Qaddafi. In September of 1976, Quintero reportedly phoned Clines, with whom he had previously worked, and proposed. Clines then passed the informa-

tion on to Shackley. According to a 1981 story in the *Washington Post*, Shackley then passed this information on to other CIA officials, who notified the FBI. McGeehee believes that this is true, if only because Shackley would want "to cover his ass." True or not, the fact that the Cubans—all supposedly tied to the secret team—exposed Wilson's plans to Clines does not support the overall theory of a cabal of secret operators running a covert foreign policy.

Finally, Kevin Mulcahy did not "unknowingly" reveal any information. He was talking to anyone who would listen, trying to get the CIA to take action against Wilson. He had become concerned about Wilson's activities and in 1976 called the CIA, where he talked to Shackley, to report on them. Mulcahy then changed his appearance and went into hiding. During the next several years he talked to federal agents from six different investigatory agencies, trying to expose Wilson. He was found dead outside a Virginia motel in late 1982, and was said to have died of natural causes, though some people believe he was murdered for reporting on Wilson's activities.

pects of the lawsuit that appear to be mistaken. First, Sheehan claims that Clines was Shackley's deputy in Laos, Vietnam, and the United States. McGeehee and John Stockwell, another intelligence officer turned critic, both claim that Clines was never of sufficient rank to have served as Shackley's deputy. McGeehee, who worked on a research project for Shackley while both men were in Saigon, says that not only did he never see Clines there but he also knows who Shackley's deputy was at the time (he cannot reveal the man's name because of secrecy restrictions that apply to all ex-CIA officials). Also, in 1976, when Shackley was chief of the East Asia division and supposedly running the anti-Shah hit squads with Clines' assistance, they weren't even working together.

Sheehan further claims that the secret team moved off the books of the agency in 1973. According to the affidavit, team members "knew that their secret anticommunist extermination program was going to be shut down" in Southeast Asia. Therefore, they began their non-CIA, private network "to operate after the end of the Vietnam campaign." The secret team's worldwide banker was supposedly Richard Armitage, then a naval officer in Saigon, who served as bursar for Vang Pao's opium money. According to Sheehan, Armitage moved to Bangkok in late 1975 and remained there until 1979, carrying out government and personal duties but largely funneling money out of Southeast Asia into secret team assets in Iran and Australia.

Though Armitage is said to have been a key player in Shackley's network, he is not charged in the Christie lawsuit. A number of people familiar with the suit claim there is no solid evidence that connects Armitage to any of the activities in which he is implicated. In at least a portion of the time, he was supposed to be in Bangkok. Armitage was working in Washington as an administrative assistant to Senator Bob Dole, according to Dole's office and the Pentagon.

While Sheehan sees a maverick cabal, some analysts believe that Shackley worked on a number of covert activities but always for the CIA. By creating a mythical conspiracy, they say, Sheehan is letting the CIA off the hook. Stockwell told one reporter that "Theodore Shackley was only one of the top 300 officers in the agency. The problem is with the policy of covert operations."

McGeehee doesn't believe that there was a secret team either. He says that Shackley was certainly not the mastermind behind the Iran/Contra affair and, in fact, had a minimal role. According to McGeehee, Shackley was "trying to get in on the action but they ignored him."

The Iran/Contra report prepared by the Congressional Committees says that Shackley met with Manoucher Ghorbanifar, the Iranian arms dealer—well-known to U.S. intelligence officials—in November of 1984, in West Germany. According to the report, "Ghorbanifar told Shackley that for a price he could arrange for the release of U.S. hostages in Lebanon

through his Iranian contacts.... Upon his return to the United States, Shackley sent a memorandum about his meeting with Ghorbanifar to Lt. Gen. Vernon Walters, Ambassador-at-Large in the State Department and a former Deputy Director of the CIA. Walters then passed the information on to other officials, who considered the proposal a "scam"; in December, Shackley was told that the State Department "was not interested in pursuing the Ghorbanifar ransom proposal."

In other words, the supposed mastermind of the affair took Ghorbanifar's proposal straight to government officials, who turned down his offer of help. This episode lends little support to the Christie theory.

The scale of the covert activities that Sheehan accuses Shackley and associates of carrying out appears too big for a small group of private individuals, no matter how sophisticated and experienced. One analyst claims that the "CIA should be happy with the lawsuit because it removes responsibility, to a certain degree, from them." This is a fundamental point, for many of these private individuals, most notably Shackley, were high-level officers in the CIA. If there was a "team" it would more likely have been a direct enterprise of the U.S. government. □

Information contained in the April 1988 *Interview* magazine, the August 8, 1988 *Spotlight* and the August 24, 1982 *Wall Street Journal* could explain the reason the Army framed Dr. Jeffrey R. MacDonald. The following relates to this case.

N IN-DEPTH LOOK AT: AMERICA'S DRUG PROBLEM

CIA and Big Bankers Key Drug Trade Players

The illegal drug plague is the major cause of crime in our nation and is contributing to the near destruction of an entire generation of Americans. The drug industry is a multibillion-dollar venture; and its enormous profitability is the primary reason it is so hard to contain, much less wipe out.

The economies of entire nations are run on drug money, and the private armies raised to protect the growers and distribution networks rival, and, in some cases, outgun, those of national defense forces, such as Colombia.

Of course, such financial power has enormous political implications.

For years, rumors have circulated that the drug traffic could not continue without official U.S. compliance, if not active participation. These rumors have particularly centered around U.S. intelligence agencies, alleging that the drug lords were being permitted to carry on their trade in return for performing certain favors for these agencies.

In this week's OVERVIEW, we examine the roots of these allegations and some of the more intriguing, and supportable, examples of these charges.

If any of these charges are true, then the U.S. government has much to answer for. Drugs are a serious social problem, one of the most serious facing the country today. If the government is in any way involved in drug smuggling, or even turns a blind eye to drug smugglers in return for certain favors, the public has every right to know. And, if these charges are true, and the public is informed, it would certainly topple whatever political party was in control at the time.

Thus, it is doubtful that a full and public inquiry will be called on the matter by any politician, but these charges need to be aired in order to stir the public to demand such a hearing.

Recent evidence from southeast Asia, analyzed in a monthly SPOTLIGHT survey, throws new light on the role of the CIA and the international banks in the booming narcotics business.

The most revealing testimony—such as the report of Lt. Col. James “Bo” Gritz and the declarations of heroin warlord Khun Sa in the following pages—comes from first-hand observers or seasoned players in this lawless trade. Read in context they provide answers to the underlying questions of the U.S. drug crisis.

The narcotics market, long confined to the criminal underworld, entered on a period of expansion in 1963, law enforcement experts explained. Today it is no longer just another racket; it is the fastest-growing commodity cartel in the world.

How was the illegal “coke and smoke” trade, denounced by politicians and pursued by police, elevated to such economic eminence? The answer that appears most likely at this point is that behind-the-scenes Washington bureaucrats and Wall Street bankers both proved willing to participate in it.

CIA operatives say that the agency is always in need of guns and money for its worldwide covert operations. It is willing to work with drug smugglers able to provide either—or both.

HAULING POT

“I was flying weapons from Florida to Honduras



RICHARD ARMITAGE

on a CIA con. . . in 1980,” Michael Tolliver told a Senate subcommittee in sworn testimony last May. “On a typical flight we shipped about 28,000 pounds of military supplies—guns, ammunition, things like that.”

“What kind of cargo did you bring back?” Tolliver was asked.

“Pot—some 25,000 pounds of it. I mean marijuana. Yeah, marijuana,” the ex-CIA pilot explained. “We brought the marijuana back to Florida in the same plane.”

Tolliver’s startling account, The SPOTLIGHT found, is supported by similar testimony from four other drug pilots. Testifying under oath, they gave detailed descriptions of missions flown for the CIA that frequently involved black market weapons going into Central America, with loads of narcotics smuggled to Florida on the return trip.

The Latin country where the interlocking network of intelligence agents, dope dealers and international bankers is most visibly dominant is Panama.

“Drug money is the lifeblood of our economy,” exiled Panamanian journalist Jaime Pedron told The SPOTLIGHT’s diplomatic correspondent in Miami recently. “Panama’s government pays the police and firemen with dollars derived from the narcotics traffic. Panama’s two leading industries are drugs and money laundering.”

Matching recent intelligence about the Panama scandals with data obtained from southeast Asia turns up a number of key figures linked to drugs in both regions. Assistant Secretary of Defense Richard Armitage, cited by Gritz for his alleged links to Golden Triangle drug lords, was also found to be a familiar visitor in Panama where he has held several private meetings with Gen. Manuel Antonio Noriega, the nation’s strongman, in recent months.

SHADOWY PRESENCE

The Mossad, Israel’s secret service, has acquired a shadowy presence in southeast Asia since the United States abandoned Vietnam in 1973. It is also a major player in Panama’s financial and drug markets. The SPOTLIGHT found, Michael Harari, veteran boss of a Mossad hit squad, has emerged in recent years as Noriega’s right-hand man.

“There is overwhelming evidence,” asserted author Jonathan Kwitny, a veteran investigator of international crime. “that U.S. agents nurtured the heroin syndicate of the Golden Triangle in the 1960s and helped export the drug.”

Kwitny found that CIA operatives played a similar role in Central America. “Drug imports into the United States have been facilitated by Latin American covert operations run by the CIA and the Defense Department,” the noted investigative writer concluded.

Some Americans may find startling—and hard to accept—that “respectable” leaders of government

illegible }

lot," said Dr. Philippe Rivera Hughesen, a drug consultant at UN headquarters in New York.

"In 1978 the U.S. federal budget for narcotics enforcement—the total appropriation for this purpose—stood at under \$4 million. Today it's over \$4 billion, a thousandfold increase. The drug bureaucrats have acquired an empire of their own. They have become a 'narcocracy'."

ENFORCEMENT EMPIRE

The domain of the Reagan administration's Drug Enforcement Administration (DEA), which doles out most of these funds, includes fleets of ships and speedboats; squadrons of jets and helicopters; even stands of radar blimps, tethered in the waters around Florida and Georgia. In Washington, the DEA operates some of the largest official computers; abroad, it has its own attaches in U.S. embassies.

Yet, despite the growth of this empire of enforcement, dope is cheaper and more plentiful in America than ever before. Wholesale cocaine prices have dropped from a high of some \$50,000 per kilo during the early years of the Reagan era, to around

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forcement agent, who asked not to be quoted by name, "suggest that despite all the hoopla, more cocaine is entering the United States, along better-organized import lines and a more efficient distribution system, than ever before."

If door-pounding, badge-popping federal enforcers cannot stop the flow of dope, how does the DEA hang on to its Christmas tree of powers and perks? The answer is that it has converted the drug-alarm publicity into a racket, consistently reporting its seizures of contraband in terms of the drug's street value.

A major raid netting, say, 1,000 pounds of smuggled cocaine is announced on the front pages as a major victory: It has inflicted a heavy loss on the drug cartel—as much as \$250 million, assert the DEA spokesmen.

But in reality, law enforcement experts say, when a narcotics smuggler loses a shipment, his loss

amounts only to the cost of replacing it. Currently, the seizure of a hypothetical 1,000-pound dope cargo means a setback of about \$5 million to the Colombian cocaine cartel—a large sum that is, nevertheless, factored into the cost of doing business in advance.

CONTRARY INDICATOR

"The seizure rate for contraband drugs has shot up in recent years, nearly a hundredfold," said the law enforcement agent. "But as an indicator, it shows only that more and more dope is coming in and going into retail outlets. It is not a mark of successful drug suppression—just the contrary."

As for some of the largest Wall Street banks, led by the Federal Reserve, "I can tell you firsthand that they regard narcotics, not as a crime problem, but as just another commercial venture," declared Ramon Milian, a major money manager for the Colombian drug moguls.

Milian, who is serving a 43-year federal prison sentence for laundering hundreds of millions of dollars in dope profits, has appeared before several congressional committees. His calm, detailed account of how he made use of America's largest financial institutions—in fact, of the entire Federal Reserve System—to sanitize and invest vast amounts of "hot money" is one of the most revealing testimonies ever obtained by Congress.

"The banks were never concerned about the source of my mammoth cash assets," Milian recounted.

"They were preoccupied only with making even-

Gritz Says U.S. Government in League With Drug Dealers

The following is a transcript of a recent edition of Radio Free America, the talk show on North America One hosted by Tom Valentine. Tom's guest was Lt. Col. James "Bo" Gritz. Gritz, a hero of the Vietnam War, has alleged that high U.S. government officials are actively involved in the international drug trade.

Valentine's questions are in bold. Responses are in regular type.

Bo, you were on a television show with a fellow by the name of Ron Paul, the Libertarian candidate for president, I understand. And last night Ron was our guest on this show and we talked all about the Libertarian point of view and then we finally got into the legalization of narcotics, of dope.

And a lot of the callers and the people got a little uptight with that one, and I understand that you have some very strong views about narcotics in this country.

Tom, there is no question that I have a strong stand on narcotics. I was with Ron Paul; we were on the Morton Downey Jr. show—which is becoming quite popular. It's a kind of a scream talk show.

And Ron Paul made a statement that I couldn't believe. I was looking for an alternative candidate because honestly I cannot vote for Bush. I was Commander of Special Forces in Latin America the same time that Bush was head of the CIA in the United States.

I knew that [Panamanian strongman Manuel] Noriega was not only a dope smuggler but a communist. I recommended that we dump him, we didn't, and now he's emerged as a wart on our political nose. I cannot vote for George Bush because of what I know about him, and the smuggling of drugs, and the use of drugs to circumnavigate our Constitutional system.

Now, I don't know enough about Du-



RON PAUL

... His answers shocked Gritz.



BO GRITZ

... Names names, dates and places.

kakis so I was looking at Ron Paul. But when Ron Paul stood there on the Morton Downey show and said with an angry face, "We must legalize all drugs," and Downey said, "You mean to tell me you would legalize crack?" and he said, "Yes, I would, and heroin and cocaine."

Tom, this is the greatest nation on the face of the Earth. I honestly believe—you may think I'm a fool—but I believe that God allowed us to inhabit this nation and to have it as ours as long as we remained a righteous people. I think it's supposed to be a nation where people from all over the world can come here in religious freedom as long as we remain a righteous nation.

And, it's simple, all you need to do is check your conscience—Is it right, is it wrong? How can we stand, regardless of our religious beliefs, before God one day and say, "We took a nation of milk and honey that you gave us and we decided for various political pressures, or to take the profit out of it, or to go along with the Supreme Court, that we would legalize drugs in your nation and be poison to your children."

It's not right, it's not American and it makes me wonder about these people who would do with this nation what we know that our Father in heaven would not do to it. So, I am strongly against it. If you compromise, Tom, you lose.

Now we've already seen we can't teach creationism in the schools any more, so that leaves only one thing we all find out, that we all came out of the ocean as slime. You can't say the Pledge of Allegiance any more because it has "God" in it. You can't pray but you can do oms [meditation] in school.

And then we wonder how come the United States is being baked in a heat wave and our crops are shriveling in the Midwest and the Mississippi and Missouri

rivers are drying up? We better look at who we need to be thankful for and get back to being a righteous nation before we take "In God We Trust" off our coinage.

So, that's why I am so strongly against it: if you don't mind me continuing here for just a minute, I'll tell you that George Bush, his office, asked me and a comrade of mine, Scott Weekly, to go into Burma in 1986 to look for prisoners of war. We got in there. [General] Khun Sa is the overlord of the Golden Triangle, which produced in 1986 700 tons of heroin that came into the free world. Now, in 1987, it was 900 tons and this year it is 1,200 tons.

We didn't find any prisoners of war there. But we brought back a video interview with Khun Sa intended to go to the president and on that interview Khun Sa said, "I will stop 900 tons of opiates in 1987 and I will divulge every U.S. government official that has been my best customer for the last 20 years if President Reagan will help me to legitimize my economy."

Now, Khun Sa is anti-communist. He's surrounded by communist Burmese, by communist Chinese, and by communist Lao. Every one of his weapons, all his military equipment is made in the U.S.A. Now, I thought not having any prisoners of war we have failed there but I thought we were going to get an "atta boy" from the White House, because you got Nancy Reagan saying "no" to drugs.

We turned those videotapes over to the White House just before Christmas of 1986 and the White House response was "no interest." I went back into Burma and came out again in 1987, June, just about a month ago this time last year. I brought back the names of government officials that Khun Sa says have been dealing heroin and trading for arms for more than 20 years.

They include high-ranking CIA officials; they also include a currently serving assistant secretary of defense. Now what makes this crime even more heinous, Tom.



MANUEL NORIEGA

... Gritz warned government about him.

is that the man that Khun Sa named as the bag man, the accountant, the man who was dealing with the banks in Australia, was a man named Richard Armitage.

Armitage is not a publicly elected official, but was appointed by George Bush and is serving as an assistant secretary of defense today. He is responsible to the American people for the return of U.S. prisoners of war.

Now, I couldn't figure out why in five attempts to rescue Americans we kept losing in the 11th hour. Something would happen, an enemy gunboat would show up, the American prisoners of war being recaptured by the enemy. One time it was Voice of America announcing that we were in Laos—commandos from America—to rescue U.S. POWs and of course we had to abort our mission.

When Khun Sa identified Richard Armitage in June, 1987 it turned a light on for me. I returned to the United States and brought this information before the U.S. Congress and, "no interest."

Khun Sa, then, made in writing a complaint to the Justice Department naming these same people in June, 1987. Nothing happened. Then, in March, 1988, Khun Sa wrote a letter making an offer to give, as a show of good faith, one ton of refined heroin to George Bush if Bush would open a dialog to stop the trafficking of all hero-

The reason there's no interest is because these bureaucrats are trying to cover up their wrongdoing for more than 20 years. For more than 20 years they have been bypassing the Constitutional system, going around Congress in executive decisions, much like Ollie North said, they were setting up a way to suspend the Constitution of the United States, [to establish] a parallel government.

Well, all that is done. Because I know the guys that are in the middle of all of this, I work for them.

You and Ollie North are the same rank, aren't you?

Well, that's correct and I was made a lieutenant colonel back in 1972, so my date of rank goes way back there. But the thing is, Tom, that it is disgusting. I know that a lot of your listeners have probably contributed money to help the "contras" and I agree with that. But here is what happened to their money:

The money did not go to the contras, the money went in the pockets of arms dealers. Then those arms dealers, through Israel, bought weapons from the Soviet bloc, helping the Soviets—brought those weapons in and sold them to the contras at up to 300 percent profit. It fattened their pockets, it helped the communists, and we haven't gotten one step closer to defeating the Sandinistas yet in Nicaragua.

Now, Gen. Richard Secord is a man who was right in the middle of that and worked very closely with Ollie North. When Secord appeared before the Senate investigating committee looking into the Iran-contra scandal he was asked, "Were you selling arms to the contras?" and he said, "Yes."

They said, "Were you selling at a profit?" and he said, "Yes."

And they said: "I thought we were there to help the contras. Why were you selling those arms at a profit?"

And he said: "Well, couldn't we have two purposes? We were in business to make money."

He also said about the Iran arms deal: "I think I deserve the \$8 million that we made for all my hard work."

Now, Tom, I submit to you that if you have to pay a patriot, you've got the wrong man. These are patriots for profit. They're people that wear a veil of patriotism but their real business is war, money and guns.

And they are using dope because the Third World countries that they're selling to don't have the money to buy the arms. But all of them have one thing in com-

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mon—a lot of illegal narcotics.

You see, their planes are taking arms to Nicaragua, turning around and bringing dope into the U.S.A. You see American bankers and you see international banks fattening themselves on this dope profit. It's part of a conspiracy and a year ago, Tom, I wouldn't have believed it. But I have touched the beast and I've seen it and I've smelled it and tasted it.

The fact is that there is a conspiracy in the United States. It involves international banking. It involves parallel governments that would steer the United States toward destruction. For what purpose? I really don't know yet but it certainly isn't in the interest of the American people.

Well, that's my opinion right now. And it's not only mine.

When I got back here in June of '87 I thought I was the Lone Ranger. I had in-

formation from the Golden Triangle, from Gen. Khun Sa, that American officials, by name, were dealing in drugs. But when I arrived here I read in the May issue of "Time" magazine that a super-patriot by the name of H. Ross Perot, down in Dallas, Texas, had received police reports.

Now, they didn't say this in "Time" but I've got a copy of those police reports since then. And, he received police reports from the FBI, from the Washington, D.C. police, and other agencies around the United States naming Richard Armitage as a drug smuggler and an arms dealer. Perot,

it says in "Time" magazine—May 4, page 18, for your listeners if they want to check it—went to see his old friend, George Bush, and that Bush told him to go to the proper authorities.

He went to William Webster (then head of the FBI), who is now head of the CIA. It's said he was seen going in to the White House carrying a pile of documents, yet, quoting "Time" magazine, "The Reagan administration has given him no help."

And Secretary of Defense Frank Carlucci, who is Armitage's boss, went to Mr.

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Perot and asked him to stop pursuing Armitage. So you have Gen. Khun Sa, who is the biggest drug dealer in the world, you've got H. Ross Perot, a super-patriot, just (to the) right of Attila the Hun, and you've got a left-wing outfit called the Christic Institute (see related story), all saving the same thing—and nothing is happening.

I've heard your story several times and each time I just sit there and I think it is shocking to the core. I know that you know what you are talking about because you have your facts. Now, you've presented those things and your friend Scott Weekly has been sent to prison on a trumped-up charge. Is he still in prison? And if his time's up, why isn't he out?

Well, thank you, Tom. Just this last Friday, praise God, the judge for the first time in 14 months actually heard evidence about Scott in Oklahoma City. A man by the name of Alley, a federal judge, who had sentenced Scott to five years in prison, heard evidence and immediately released him. Scott walked out of the courtroom last Friday. He's back with his family.

Right now he is a free man. He was truly a political prisoner. What happened was when we came back in December of '86 and we gave that videotape showing Khun Sa offering to divulge government officials, the White House, I think, and specifically, Richard Armitage, became very alarmed and very afraid.

The Justice Department notified Oklahoma authorities that I was an arms dealer with Iran, that I had been dealing with Ollie North and there was more to be found by investigating me than Ollie North. They said they couldn't get to me because I had connections in the White House; that they would get to me through Scott.

Now, we had been training Afghan freedom fighters in the deserts of Nevada, near where I live, in August and September of '86. Then we received our briefing from the White House in October of '86; we went to Burma in November of '86.

They knew that Scott had access to

plastic explosives, and had shipped the same out here from Fort Hill, Oklahoma, and they charged him and he never had the opportunity to have a lawyer. He was sentenced by Judge Alley to five years. They charged him with transportation of explosives aboard a commercial airliner, which is not against the law if you are working for the government.

The judge finally heard the evidence but it was 14 months too late. The whole thing, Tom, was a setup in order to try to crush us so that we could not go into Burma and it worked on the other end too, because the United States threatened to remove the tens of millions of our tax dollars that we give to the communist Burmese and the Thais for drug suppression unless they were able to kill Khun Sa.

They were banner headlines in all of the newspapers for about three months about, "U.S. declares no mercy in drug war," and, "Air strikes against Khun Sa." Finally I read one that said, "Khun Sa mountain stronghold seized."

You know it took Scott and me six days —three days coming, three days going —on horseback to get to Khun Sa's headquarters in '86. In '87, I drove in a pickup truck on a newly built highway straight to his headquarters and there were 10-ton military vehicles from Thailand coming the other way loaded with heroin.

Yes, and they were supposed to be making war on this drug lord, and you thought there was a war going on from the papers. And I recall this is American tax money; did it have to do a lot with that road?

I don't know, but I know they bulldozed it because this is virgin teak forest in Burma. These are mountains like you find only in West Virginia, they go straight up or straight down, thickly covered with hardwood teak. Gigantic, U.S.-made bulldozers were being used by the Thais to make this heroin highway.

Now, funnily enough a man by the

name of David Wesley, who is the No. 2 man in our Drug Enforcement Administration, called me and said: "Bo, that is not a heroin highway. That is a graduation road."

Now, if you believe this then I'm from the government and I'm here to help you, Tom, and all your listeners. At first they denied there was any road at all. But then he finally said, "We admit there is a road there."

But he said Khun Sa was having a special military graduation and he didn't want to have the Thai VIPs that he'd invited have to ride horses for three days coming and then again three days going back, so a road to his headquarters was built so they could drive there.

Well, wait a minute now. I thought the Thais were supposed to be wiping him out with our money.

When I saw Khun Sa I was amazed because it only took us 12 hours to get to his headquarters on this new road. When I saw him he asked me, "Col. Bo, what took so long?"

And I said, "General, I was waiting for the war to die down."

And he just laughed and said, "It was a newspaper war."

The Thais and the Burmese, who are communist both, came to him. He said: "They told me they stood to lose tens of millions of U.S. dollars in drug suppression unless they made it look like they were doing something. I told them, 'You go ahead and make it look like anything you want to but I want a highway built here.'"

And so in exchange for the road they got to put the headlines in. And it worked, because one of the later headlines showed an American ambassador giving a very smiling Thai an additional \$1.8 million for the good job they had done against Khun Sa.

Yes, and of course we need more money to fight the drug war, don't we? We better budget more money or it'll never stop the flow of drugs.

It's not more money we need, it's better and clean government. Until we get these cockroaches out of there we're not going to have a chance. I don't care who you vote for president in '1988.

Now, Bo, you are a soldier, you have fought for this country and I know you are one of the most sincere patriotic fighting men I've ever heard speak. You're almost a dinosaur in this age of naivete, as you said yourself. But, when you returned to the United States you did not dream that your reception would be even colder than chilly. They tried to indict you, I understand.

What they did is, they did it with warnings. Now, when we first took the videotapes in 1986 I thought we were going to get a pat on the back, because here was an opportunity to stop 900 tons of heroin and discover who the guys in the government were that had been dealing in it.

I was amazed when there was no interest by the White House. Then when I went back, they knew that I had gone [although] I didn't go on White House authority the second time. The White House knew that I had used a false passport during my travels in the '87 trip into Burma and I was called and told that, and this is a quote. "Bo, if you don't erase and forget every-



NANCY REAGAN

... Didn't she say "no"?

thing you've learned you are going to hurt the government.

And I said: "Whose government? Not mine, not the one my dad died for during World War II."

And they said: "Bo, knock it off. We are trying to help you."

They said: "You've got to erase and forget or you're going to get hurt yourself. If you don't cooperate with us you yourself are going to serve 15 years as a felon because we will bring up aggravated charges and hostile witnesses against you."

I told the guy—I called him "citizen"—"Citizen, let me tell you something. That's an insult to me, to you, and to 200 years of Constitutional government."

And so they did, they brought up the only thing they could get against me, Tom: misuse of a passport. Now, Jane Fonda used a false passport when she went in to cavort with the enemy in Hanoi during the war.

Ollie North and Robert McFarlane used false Irish passports when they went in to Iran to effect an illegal arms deal. So, I consider it a "weeny" charge. My trial comes up on the 12th of September and interestingly enough the maximum penalty if I'm found guilty is five years in prison, as a felony.

You are coming up for trial this September, a little over two months from now.

Yeah, on the 12th of September. I have great faith in the American jury system and I don't believe that there's a jury [that would convict me], once they hear the evidence. Of course the judge has to allow the evidence to be heard.

Of course.

And of course in Scott's case there wasn't any evidence even presented. He was just sentenced to five years in prison.

And he spent 14 months in the Lompoc federal prison.

Fourteen months away from his two small children. He had a little son who was just a year old, and a wife. There was no employment, and his wife did not work. It was really a strain on him and his family just because they were trying to keep us from bringing the truth before the American people.

Right, and Scott was in reality a volunteer like yourself to go after the missing in action, and he was, what, a Navy man?

Interestingly enough Scott Weekly was a classmate of Ollie North in the naval academy. He was in the Navy Seals over in Vietnam. He's been with me twice on rescue missions for prisoners of war and he was with me on the initial mission when I went into Burma in 1986.

Now, I understand our government is trying to discredit you on those missions into Laos and so forth.

Well, what they do is they conduct a smear campaign and a hate campaign.

They put out a National Security Council memo—undated, unsigned—that basically makes me look like some kind of a character. But the truth is that all you have to do is read "Time" magazine or wonder how Bo Gritz could have top secret special intelligence information that only the Joint Chiefs of Staff had if I wasn't working within the government.

How could I have 1,500 photographs going into Laos? Why would they, over Voice of America—which is not an NBC affiliate, it's run by the U.S. Information Agency—put out information that American commandos were in Laos to rescue prisoners if they wanted to stop us?

And it was the U.S. government that asked us to go. But I don't think they ever intended for us to actually come back with prisoners. They wanted it to look like they were doing something just like they look like they were doing something with Khun Sa.

So it doesn't make any difference, Tom, what happens to me. I'm just one man. I've been a soldier, never wanted to be anything but a soldier, of this nation. If I go down swinging and it helps this nation then I'm satisfied.

Well, you know, Bo, we've only got five more minutes and I know you're going to go out and . . . By golly, ladies and gentlemen, he's got a Boy Scout thing to go to tonight, and he's a dedicated man . . . He has to leave here in about five more minutes. But in the next few minutes, Bo, I wanted to go into one other aspect of this thing.

You've got a trial coming up and that should be a sensational trial with lots of media. You think there will be any media coverage?

Well, a lot of it will depend upon how much evidence the judge will allow in. I want to make the trial a forum to get out the information we have on prisoners of war and the government dealing in drugs and the only reason I have ever used this false passport, and I'm not denying that I used it.

As a matter of fact, the U.S. attorney is having trouble with that. But most people come in and claim the Fifth Amendment or they would deny it. I'm saying, yes, I used a false passport. I used it many times—every time in pursuit of U.S. prisoners of war.

And I've got that passport. I'm willing to show it to the jury. It shows many entries, every entry only going to one place.

All right, I'm looking at this like the listeners out there. We probably have thousands of TV satellite listeners sitting there saying, "How come I never heard this?"

I want to point out that the first time I met you it was at a press conference that you had called in Los Angeles, at the press club, and every network, all the local television and the Los Angeles "Times" and the "Daily News" and Associated Press were all there. You told this story and you documented it with videotapes and the only newspaper that brought it out was The SPOTLIGHT.

Yeah, The SPOTLIGHT. The reason is, we found out later, every assignment editor for all of the large papers and television—NBC, ABC, CBS—wanted to do the story but, "Someone at the top squelched it."

So there you go. I think that the conspiracy includes people that control the media. And they're not going to let anything out that might shake their house of cards.

No, "conspiracy" is a bad word, you know, it's a terrible thing to be so controversial. And yet, here we have Ollie North and he is getting all of this play, while the people in the right wing were saying, "This guy should get a medal and not go to jail."

What you need, Bo, is a beautiful secretary.

That may help. You know one thing.

Tom, that we've got to be very careful of, and that is, if you are being raped you don't want to talk in civil tones, unless you like being raped.

This nation is being attacked. This nation is, without knowing it, fighting a war against a destroyer for its very life. And we've got to speak out in strong terms, and the hell with being controversial. Because the only way we are going to survive is to speak out and to make a stand.

Well, I agree with you, Bo, and we are going to help you speak out. I'll be watching your trial. You are running for Congress in your area of Nevada, is that correct?

Yes, sir. I'm a Republican and I'm on the Republican ticket. The way I figure it is, that you have got to take a stand and a platform and planks to make it firm, like I do. As a soldier I fought for this nation against foreign enemies. Now as a soldier I'm willing to fight those domestic enemies and the way to fight is probably through the Constitutional system.

And I intend to do it and I'll be a congressman not only for southern Nevada, but for every American out there that wants to see this nation a nation under God.



OLIVER NORTH



RICHARD SECORD

... Bo Gritz says patriots shouldn't profit.

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Khun Sa: Here's How to Eradicate Problem

The following is a letter written by Thai Gen. Khun Sa, overlord of Asia's "Golden Triangle" drug producing and exporting region. The letter was written to the U.S. Justice Department in June of 1987, and in it Khun Sa asks the U.S. government to help his people get out of the drug exporting business. The general has made the same offer in previous communications, yet no one in the government has seen fit to take him up on it.

Ref. No. TRC/FA-0687 Date: June 28, 1987
To U.S. Justice Department, Washington, D.C. U.S.A.

SUBJECT: Important fact for the Drugs Eradication Program to be successful.

Sirs:

This letter to the U.S. Justice Department is to make it clear about our deepest concern in wishing to help eradicate drugs and for all the American people as well as the

world to know the truth that for the past (15) years they have been misled to look upon us as the main source of all the drug problems.

1. The refusal of the United States government to accept our "SIX YEARS DRUGS ERADICATION PLAN" presented at the Congressional Hearing by Congressman Mr. Lester Wolff after his visit to Thailand in April 1977, was really a great disappointment for us.

Even after this disappointment, we continued writing letters to President Carter and President Reagan forwarding our sincere wish to help and participate in eradicating drugs. We are really surprised and doubtful as to "why the U.S. government refuses our participation and help to make a success of the drugs eradication program."

Furthermore, "why the world has been misled to accuse us as the main culprit for all the drug trades . . . while in reality, we are most sincere and willing to help solve the drug problems in South East Asia."

Through our own secret investigation, we found out that some high officials in the U.S. government's drugs control and enforcement department and with the influence of corrupted persons objected to our active participation in the drugs eradication program of the U.S. government so as to be able to retain their profitable self-interest from the continuation of the drug problems.

Thus, the U.S. government and the American people as well as the world have been hoodwinked.

2. During the period (1965-1975) CIA Chief in Laos, Theodore Shackley was in the drug business, having contacts with the Opium Warlord Lor Sing Han and his followers. Santo Trafficante acted as his buying and transporting agent while Richard Armitage handled the financial section with the Banks in Australia.

Even after the Vietnam War ended, when Richard Armitage was being posted to the U.S. Embassy in Thailand, his dealings in the drug business continued as before. He was then acting as the U.S. government official concerning with the drugs problems in South East Asia. After 1979, Richard Armitage resigned from the U.S. Embassy's posting and set up the "Far East Trading Company" as a front for his continuation in the drug trade and to bribe CIA agents in Laos and around the world.

Soon after Daniel was made to hand the drug business well as the transportation of army as John Douglas then took over the drug trade from Richard Armitage. For over 10 years, Armitage supported his men in Laos and Thailand with the profits from his drug trade and most of the cash were deposited with the banks in Australia which was to be used in buying his way for quicker promotions to higher positions.

Within the month of July, 1980, Thailand's English newspaper Bangkok "Post" included a news-report that CIA agents were using Australia as a transit-base for their drug business and the banks in Australia for depositing, transferring the large sum of money involved.

Verifications of the news report can be made by the U.S. Justice Department with Bangkok "Post" and in Australia.

Other facts given herewith have been drawn out from our Secret Reports files so as to present to you of the real facts as to "why the drug problem is being prolonged till today."

3. Finally, we sincerely hope in the nearest future to be given the opportunity to actively take part in helping the U.S. government, the Americans and people of the world in eradicating and uprooting the drug problems.

I remain
Yours Respectfully,
Vice Chairman

THAILAND REVOLUTIONARY COUNCIL
KHUN SA



Gen. Khun Sa confirms Bo Gritz's allegations.

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Cover-Up Alleged in Drug Agent's Death

By KIM MURPHY, Times Staff Writer

Lawyers for two of three men accused in the murder of U.S. drug agent Enrique Camarena said Thursday they have evidence that the U.S. government has failed to prosecute one of Mexico's major drug smugglers, because he has secretly provided financial support and arms assistance to the Nicaraguan Contras.

In a motion filed in Los Angeles federal court, the defense claims that it has received new Drug Enforcement Administration reports indicating that Miguel Felix-Gallardo, a suspect in the Camarena case who has not been indicted, advanced more than \$150,000 to the Nicaraguan rebels through his pilot, Werner Lotz.

Defense lawyers said the DEA reports reveal that Lotz, who is now an informant for the U.S. government, told DEA agents in November that Felix-Gallardo was "a big supporter" of the Contras and was also involved with Lotz in smuggling arms into Nicaragua.

"From an examination of all the available evidence, it is apparent that various agencies of the federal government, including the CIA,

were aware of Felix-Gallardo's cocaine smuggling activities and have purposefully ignored them due to Felix-Gallardo's 'charitable contributions' to the Contras," attorneys Barry Tarlow and Donald Randolph, representing defendant Jesus Felix-Gutierrez, said in their motion.

The two lawyers, joined by attorneys for defendant Rene Martin Verdugo-Urquidez, accused the government of covering up evidence that Felix-Gallardo participated in the torture and murder of Camarena to "avoid the embarrassment of disclosing compelling evidence that the 'freedom fight' of the Contras was funded by illicit drug revenues with the tacit approval of branches of the United States government."

According to the court papers, Lotz told DEA agents that Felix-Gallardo had advanced Lotz "between \$150,000 and \$170,000" for transfer to the rebels—money that Lotz was apparently expected to repay—and was, himself, a supporter of the Contras.

Government prosecutors have admitted that Felix-Gallardo, believed to be one of Mexico's largest

marijuana and cocaine traffickers, may have had some role in the kidnap and murder of Camarena and his pilot, Alfredo Zavala-Avelar, in Guadalajara in February of 1985.

But the U.S. attorney's office in Los Angeles refused Thursday to comment on the new defense allegations or the status of any investigation involving Felix-Gallardo.

"We will respond to the motions filed today in our opposition papers, which will be filed Monday," U.S. Atty. Robert C. Bonner said through a spokeswoman.

A DEA spokesman in Washington said Felix-Gallardo is now being sought by Mexican authorities for "complicity" in Camarena's murder. "He is very big, and very significant in our view," the spokesman said. "He's a much-sought-after fugitive and believed to be in Mexico."

Defense lawyers have refused to publicly disclose any of the reports upon which they base their allegations about Felix-Gallardo's purported involvement in the murder or in support of the Nicaraguan rebels.

But according to their court papers, some of the evidence comes from a mysterious new transcript of the interrogation of Camarena, which was produced by the government three weeks into the trial. The government has said it does not have the tape from which the transcript was derived and has refused to disclose in open court how the transcript was obtained.

'Political Pressure'

Tarlow and Randolph have said they believe the transcript was obtained through "political pressure" exerted by the U.S. government on the government of Mexico.

Two tape recordings of the torture session have already been played to the jury, both of which appear to incriminate the government's key suspect in the case, drug baron Rafael Caro-Quintero, who has been indicted along with the three men now facing trial in Los Angeles, but who remains in Mexican custody.

But defense lawyers say the new transcript reveals that Camarena told his captors that it was Felix-Gallardo who was the "most important" target of the DEA in Guadalajara. The transcript also purportedly reveals that Camarena had seen Felix-Gallardo's car in the past at the Guadalajara residence believed to have been the scene of the torture-murder.

The defense has also introduced evidence that a photograph of Camarena was found at Felix-Gallardo's house a few days after the murder, when he fled Guadalajara. The new evidence is critical to the defense, because it appears to buttress their argument that Caro-Quintero and his associates were set up as "sacrificial lambs" by corrupt Mexican authorities to cover up for the real culprits.

Cases Against 3

Felix-Gutierrez is not accused of the murder, but of helping Caro-Quintero flee Mexico shortly after the killing. Verdugo-Urquidez and a third defendant, Raul Lopez-Alvarez, are accused of being at the scene of the interrogation and murder.

Assistant U.S. Attys. Jimmy Gurne and Roel Campos, who are prosecuting the case, have said that evidence against Felix-Gallardo does not absolve Caro-Quintero and his associates of responsibility.

"Caro-Quintero may have had assistance from other Mexican traffickers who may have had an interest in the information to be forced out of Camarena," the government said in papers filed with the court. "Any evidence of Felix-Gallardo's criminal participation is not exculpatory, unless it further shows that Caro-Quintero did not participate in any way in the kidnappings and murders."

Government prosecutors said they have already introduced evidence that Camarena had headed a massive investigation into Caro-Quintero's marijuana operations in Mexico, resulting in plantation raids that had cost Caro-Quintero's organization at least \$5 billion in lost profits.

NUGAN HAND BANK OF AUSTRALIA

Nugan Hand Bank of Australia handled funds from international drug trafficking.

Australian Mystery: The Collapse of Nugan Hand Bank Discloses Links With Some High-Ranking American Military and Intelligence Officials

Australian Mystery

Fall of a Banking Firm Spotlights the Roles Of High U.S. Officials

Frank Nugan's Violent Death Opens Lid on Odd Traffic In Dope, Foreign Funds

Politicians Charge Cover-Up

By JONATHAN KWITNY

DAY REPORTER OF THE WALL STREET JOURNAL
SYDNEY, Australia—At 4 a.m. Sunday, Jan. 27, 1980, a police sergeant and a constable, according to their testimony, were patrolling a lonely stretch of highway 80 miles from here when they spotted the parking lights of a Mercedes on an old road off in the woods. Inside the car, slumped across the front seat in a puddle of blood, was the body of a 37-year-old man with a new rifle in his hands.

They searched his pockets and found the business card of William Colby, the former

This is the first of a series of articles.

U.S. director of central intelligence. On the back of the card was the itinerary of a trip Mr. Colby planned to make to Asia in the next month. The two policemen also found a Bible with a meal-pie wrapper interleaved at page 252; on the wrapper were scribbled the names of Mr. Colby and U.S. Rep. Bob Wilson of California, then the ranking Republican on the House Armed Services Committee.

All this might sound like the beginning of a Hollywood spy movie, but the studios would have to assign their most imaginative scriptwriters to produce a tale as startling as the real-life events that have followed that grisly discovery more than two years ago. The body was quickly identified as that of Frank Nugan, the chairman of a group of companies affiliated with the private Australian banking concern of Nugan Hand Ltd. Since then, investigations have pieced together a picture of an amazing swindle that spanned six continents and bilked investors out of millions of dollars.

A Political Issue

More perplexing yet, evidence has turned up that Nugan Hand bank was deeply involved in moving funds about the world for big international heroin dealers and also might have been involved in the shady world of international arms traffic. To cap it off, the offices of Nugan Hand and its affiliates were loaded with former high-ranking U.S. military and intelligence officials (see story on Page 26).

This has convinced many Australians that the company was involved in secret work for the U.S. government. Despite official denials from Washington, the issue has

The issue of U.S. investment may be hard to resolve because many of the essential records were destroyed. Within hours after the discovery of Frank Nugan's body, telephones began ringing urgently all over the world. One was on the desk in Manila of three-star U.S. Gen. LeRoy J. Manor, the recently retired chief of staff for all U.S. forces in Asia and the Pacific. After his retirement, Gen. Manor had been on secret duty for the Air Force and at the time of Mr. Nugan's death he was helping run Nugan Hand's Philippine office.

According to Nugan Hand's public-relations man, Tony Zorilla, Gen. Manor called him and told him to stop the wire services from reporting Mr. Nugan's death. Mr. Zorilla says he replied that this would be unethical and impossible, and he refused. (Gen. Manor would describe his activities with Nugan Hand only in general terms, and he wouldn't discuss this incident.)

Ransacking the Files

Halfway around the world, Rear Adm. Earl P. "Buddy" Yates, the recently retired chief of staff for strategic planning for U.S. forces in Asia and the Pacific, heard the news and immediately jetted to Sydney, Nugan Hand's main office. Adm. Yates was the president of Nugan Hand, though he lived in Virginia Beach, Va. En route to Sydney, he met Nugan Hand's vice chairman, Michael Hand, a highly decorated Green Beret during the Vietnam War and a former U.S. intelligence operative, coming from London. They raced to the Nugan Hand office and with a few other insiders began ransacking the files.

According to witnesses, enough records to fill a small room were fed to a shredder. Others were packed in cartons, with everyone helping, and carried at night to the back room of a butcher shop owned by Robert W. Gehring, a former Army sergeant in Vietnam. Mr. Gehring worked for Maurice Bernard Houghton, a mysterious Texan who has owned several bar-restaurants in Sydney and who had played an active role in Nugan Hand's affairs since its inception in 1973.

Mr. Houghton not only joined the rape of the files, but also brought his lawyer, Michael Moloney, to direct it. According to the testimony of Stephen K. A. Hill, a Nugan Hand director who joined the record-ripping that week, Mr. Moloney urged the group on by warning, "I am fully aware of what has been going on. You all face jail terms of up to 16 years."

According to Mr. Hill's testimony, the burly Mr. Hand then broke in to say that if Mr. Moloney's orders to sanitize the files before the law arrived weren't followed, "terrible things" would happen—"Your wives will be cut up and returned to you in bits and pieces."

Mr. Moloney in a recent interview said, "Sure, I advised Hand to take documents out of the office. I was told there were serious deficiencies in the accounts. Everything I did I talked about with Yates first." (Adm.

Please Turn to Page 26, Column 1

...skipped From First Page
...refuses to discuss any part of his ac-
...with Nugan Hand.)
...few months later, on April 11, 1980, Nu-
...Hand went into liquidation. And the se-
...that were so frantically being de-
...after Frank Nugan's death began to
...reconstructed. Exposed to view, like
...gouts, were dozens of affiliated corpora-
...with little or no real assets, that Nu-
...Hand had set up to help its clients avoid
...and move money overseas secretly
...times liberally. Mr. Nugan had boasted
...\$1 billion a year passed through these

...answered is the question of why so
...making U.S. military and intelli-
...agencies were working for the com-
...CIA has denied involvement, and
...Department says that Nugan Hand
...any way a U.S. government opera-
...liquidators of the company and
...Australian law-enforcement officers
...manager had bewilderment that the
...FBI and the U.S. Customs Service,
...which have information on Nugan
...have refused to release it to help in
...most criminal and civil investiga-

...obvious overtones that somebody
...something up," says the court-
...Australian liquidator, John W.

...base in Sydney, Nugan Hand
...at least 21 offices around the
...working four in the U.S. After the
...sunk, anguished messages poured
...individuals who had invested money
...market interest rates in securities
...by Nugan Hand and who now stood to
...everything. Liquidators say the official
...all could reach \$50 million. The vic-
...include many Americans, not only on
...in Saudi Arabia and at military bases
...throughout the Far East, Han-
...and the Philippines.

...Nugan Hand carried out its operations
...dense secrecy. Cables and interoffice
...pages were in code and often were
...of "Destroy After Perusal." Company
...books and customers were referred to
...coded serial numbers rather than by
...and even references to foreign cur-
...s were disguised: "Oats" stood for
...francs, "grains" for U.S. dollars and
...down to "berries" for Portuguese
...ion.

...possible Job
...plus the obvious phantasm of many
...transactions carried on between com-
...within the Nugan Hand galaxy,
...the job of settling claims by creditors
...impossible. "We wouldn't be able to
...on outstanding claims, says a liqui-
...Many creditors aren't even bothering
...claims, apparently fearful that to do
...would expose them to prosecution for ille-

gal deals call... out with the aid of Nugan
Hand.

Currently, liquidators in Sydney, Hong
Kong and the Cayman Islands are investi-
gating the company, and often working at
cross purposes, seeking to recover assets.
Criminal investigations are being conducted
by the New South Wales attorney general's
office and by a joint task force of the New
South Wales police and the Commonwealth
police. The Royal Commission on Drugs ran
into Nugan Hand so much that it has recom-
mended a separate Royal Commission be
appointed just for Nugan Hand.

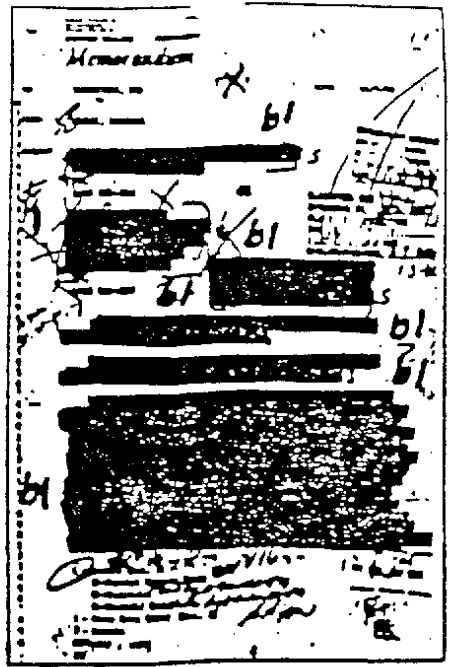
In June 1980, Mr. Hand, disguised and us-
ing a phony passport, flew to the U.S., ap-
parently via Fiji and Vancouver. He hasn't
been seen since.

Leaving Australia about the same time
as Mr. Hand was his closest friend and ad-
viser, Bernie Houghton. Mr. Houghton has a
broad acquaintanceship with many high-
ranking U.S. officials. As a civilian, he dar-
ingly traded goods all over the Southeast
Asian war zone in the 1960s. Though his res-
taurant is in a sleazy district of Sydney that
overflows with prostitutes and sex shows, he
has frequently welcomed congressmen, CIA
officials and military brass there. A few
weeks before Mr. Nugan died, Mr. Houghton
played host, at a luncheon and later a din-
ner, to five members of the House Armed
Services Committee who were in Australia
to inspect defense and intelligence-gathering
facilities. He arranged for Rep. Wilson and
another congressman and their wives to
dine with Mr. Hand. Last year, Mr.
Houghton returned to Australia. Authorities
have questioned him at length, but he avoids
reporters.

Examining a Body

With the scandal refusing to die down in
Australia, reports began to circulate that
the body in Frank Nugan's grave wasn't his
and that he was still alive and hiding out in
the U.S. Once he was reported having been
seen in a bar in Atlanta. Finally, in Febru-
ary 1981, officials ordered the body ex-
humated. With gruesome diligence, Australian
TV covered the event by interviewing practi-
cally everyone in the area. ("Some are
dry, some are wet," one gravedigger told in-
terviewers, complaining that Mr. Nugan
was "wet" and therefore "very messy.") A
dentist definitely identified the remains as
those of Mr. Nugan.

Stymied by the lack of progress in the in-
vestigation of the company's affairs, the Na-
tional Times, an Australian newspaper, peti-
tioned the FBI under the U.S. Freedom of
Information Act for information it had on
Nugan Hand. The newspaper was told that
of some 151 pages of material in FBI files, it
could see 71. But when the papers arrived,
they resembled a collection of Rorschach
tests, with page after page blacked out in
heavy ink and bearing the notation "B-1,"
indicating that disclosure would endanger



U.S. "national defense or foreign policy."
What was left was a few pages of more or
less routine information, such as a copy of a
Nugan Hand subsidiary's petition for incor-
poration in Hawaii.

In response to more-official Australian
demands, the State Department sent a two-
man FBI delegation to Sydney in April, 1981.
But the two men stonewalled, telling law-en-
forcement officials that the FBI had already
given its information to an appropriate Aus-
tralian agency; they wouldn't say which
agency or re-release the material. Australi-
an state and national police investigating
Nugan Hand say that they have never re-
ceived the information. The only other likely
recipient would appear to be the Australian
Security Intelligence Organization (ASIO), a
secret counterespionage group that long has
worked closely with the CIA.

By law, ASIO can give information only
to Prime Minister Malcolm Fraser or his at-
torney general. Mr. Fraser says the U.S. has
assured him that it had no connections with
Nugan Hand, and he has rejected opposition-
party demands for a top-level probe. But the
continuing parliamentary debate could re-
kindle the once-hot political controversy
over vital CIA bases here. These bases moni-
tor U.S. satellites watching the U.S.S.R.
and China and direct the U.S.'s nuclear sub-
marines.

The opposition Labor Party—which now
leads Mr. Fraser's Liberal Party in some
polls—has openly questioned whether the
CIA, through ASIO, helped topple Aus-
tralia's last Labor government, led by
Prime Minister Gough Whitlam. The CIA
has denied this. Now suspicions have been
raised that Nugan Hand, which handled en-
ormous amounts of money, may have been
used to channel funds to favored Australian
political candidates.

When Vice President George Bush visited
Australia this April, Labor Party leader Bill
Hayden—a strong possibility to become
prime minister—used his 30-minute meeting
with Mr. Bush mostly to press for the re-
lease of details on the Nugan Hand and
Whitlam affairs. Mr. Bush only gave his as-
surances that the CIA wasn't involved in ei-
ther matter. Mr. Bush was the CIA director
... Mr. ... who later was

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speculations of a government cover-up could be heightened by a disclosure by Australian liquidator O'Brien. He says that he has learned from the government-run telephone company that Frank Nugan's phone conversations were secretly recorded the last two years of his life on a device installed at the phone company, apparently by a government agency. Mr. O'Brien says phone-company officials have told him that the tapes—which might solve the mystery of who was behind Nugan Hand—aren't at the company anymore.

Wiretap authority is tightly restricted in Australia, being allowed only in cases involving national security or narcotics investigations, according to the Commonwealth attorney general's office. State and national police have reported that they don't know anything about a wiretap on Mr. Nugan. Again, this points the finger at ASIO.

Australian immigration records show that a senior ASIO official, Leo Carter, searched for Nugan Hand's aliases Mr. Houghton when he entered Australia in February 1972 with an expired visa. On ASIO's word, Mr. Houghton received a visa allowing him to come and go from Australia at will. Mr. Carter has died, and ASIO won't comment on this.

Presumably the most sensitive of Nugan Hand's records were shredded right after Mr. Nugan died. But the remaining records hold many suggestions that the company may have been much more than a banking venture.

Notes on Troop Movements

The records contain long, periodically filed reports about military and political activities, mostly in Kampuchea (Cambodia), but also in Laos, Vietnam and Thailand. There is no concrete evidence that Nugan Hand was an active participant in U.S. covert operations. However, these detailed reports of troop movements appear unconnected to any banking or business activity. They were prepared by Nugan Hand's Bangkok representative, John Owen, a former career British navy officer, and bear notations that they were to be shown to Mr. Hand.

The files also show that Nugan Hand worked on big international arms deals, though it isn't clear what, if anything, was shipped.

For example, there were proposed transactions in 1979 for a partnership with Prince Paraya Souvanna Phouma, the son of the former Laotian leader Souvanna Phouma. In one letter, Prince Paraya took three pages to list available weapons, including missiles, light and heavy armor, tanks, combat helicopters and F-104 fighter planes and naval patrol planes. Nugan Hand memos indicate that the weapons were intended for delivery to Indonesia and Thailand. They also discuss creation of a private, freight-oriented airline in Southeast Asia (to be called "Sky of Siam") and other deals with Prince Paraya.

Memos show that in 1975 Mr. Hand was arranging the sale to Rhodesia of recoilless rifles, mortars, grenade launchers and machine guns, and was negotiating for shipments of Rhodesian ivory.

Mr. Houghton has acknowledged in testimony that in 1979 he met in Switzerland with Edwin Wilson, the former CIA officer who is

now in U.S. custody, who is charged with selling explosives in Libya and who is alleged to have supplied trained men, arms and technology to Libya and other military buyers. A former Nugan Hand representative in Thailand, Neil Evans, has testified that Mr. Wilson went to Bangkok to discuss arms deals with Mr. Hand. Other Nugan Hand officials, however, deny Mr. Evans's story.

There seems no denying, however, that Nugan Hand was heavily involved with drug dealers. Murray Stewart Riley, a former Sydney policeman now serving time in Australia for attempting to import a boatload of marijuana from Thailand, was a regular customer of the firm. So were Riley's associates, who deposited drug money in Sydney and withdrew it in Asia.

Riley's business was brought to the bank, according to extensive testimony, by Harry Wahwright, a former San Francisco criminal lawyer who fled to Australia in 1973 after being indicted in the U.S. for income-tax evasion.

Testifying from prison two years ago for an Australian Royal Commission looking into drug trafficking, Riley said his heroin and marijuana imports were intended for the U.S. market. In the words of the commission, he said "that he had been informed that Nugan Hand offered a facility to transfer funds from Hong Kong to the United States."

Over \$1 Million of Drugs

Investigators say that they have traced about \$250,000 that Riley moved to Asia via Nugan Hand and that they believe the final figure will exceed \$1 million. They say they believe that much of the heroin was transhipped to the U.S. in containers that were repaired by a dockside welding firm in Australia that was closely tied to the dope dealers. They believe that another heroin ring tied to Nugan Hand used a similar system.

Apart from their connection with the bank, Michael Hand and Frank Nugan had been viewed suspiciously by narcotics agents for some time. As early as 1973, the Australian Narcotics Bureau began a file on Mr. Hand based on reports that he and K.L. "Bud" King, a former pilot for Air America airline had been flying dope in from Asia to an Australian airstrip. Air America was a Vietnam war-era airline, with close connections with the CIA. U.S. drug-enforcement officials now acknowledge that the airline also occasionally ran heroin out of Southeast Asia's famed "Golden Triangle" poppy-growing area.

The landing strip involved in the 1973 Australian Narcotics Bureau report was on a real-estate development promoted by American singer Pat Boone and financed by millionaire shipping magnate D.K. Ludwig. Mr. Hand had worked as a salesman for the project for several years after he came to Australia in 1967 and later asserted that he had made a fortune from his land sales.

The report of the illegal drug flights came from a lawyer representing Mr. King's housekeeper, Mr. King, who also worked for the Boone-Ludwig project, has since died in a fall. The report was released recently among many files turned over to the Australian parliament by three former

Meeting an Opium Overlord

Other released files include information on alleged Nugan Hand drug deals supplied by Andrew Lowe, formerly Sydney's biggest heroin dealer (by his own assessment), who recently completed a prison sentence for his dope deal. Mr. Lowe has testified that he arranged a meeting between Mr. Hand and Klaus Ba, the Golden Triangle's biggest opium overlord, though there is no way to verify that.

Through meticulous police work, however, Australian officials have documented in a still unreleased report a series of transactions tying Nugan Hand not only to drug dealing but also possibly to a series of contract murders in which the so-called Mr. Asia heroin syndicate eliminated at least three persons who were informing Australian police about drug activities. Authorities say the "Mr. Asia" group's heroin circulated in the U.S. and elsewhere and brought at least \$90 million cash to the syndicate's operators.

According to testimony from dope ring and bank insiders, corroborated by telephone logs and other evidence, the syndicate was linked to the bank through a two-man Sydney law firm that represented both Mr. Nugan and various members of the heroin syndicate. The firm's senior partner, John Aston, used Nugan Hand for personal financial dealings and helped bring in other clients. And the law office was used as a drop-off point for bank clients who wished to remain secret; they left parcels of cash or other items at the law office for pick-up by bank representatives.

One parcel that bank director George Shaw, a major operational figure at Nugan Hand, says he picked up at the law office March 26, 1979, contained \$285,000 in small bills. This money has been traced through a laundering process involving a soft-drink firm that Nugan Hand had acquired (apparently because it dealt in big quantities of cash) and through accounts at different banks in Hong Kong, New York, Boston and Singapore.

Eventually the \$285,000 was paid out in checks from Nugan Hand's Singapore office to a man identified by British police as the Singapore leader of the heroin syndicate. The payout was personally arranged by Mr. Hand in Singapore as instructed in a coded telex from Mr. Nugan in Sydney. This complicated money movement was a standard procedure Nugan Hand used for clients wishing to evade Australia's strict currency control laws, designed to keep capital at home.

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Admirals, Generals, Ex-CIA Men Took Prominent Roles in Nugan Hand Bank

SYDNEY, Australia—Enough top-ranking U.S. military and intelligence officers worked for Nugan Hand to run a small-sized war. The list includes:

ADM. EARL "BUDDY" YATES, a 1943 graduate of the U.S. Naval Academy, Legion of Honor winner in Vietnam, and commander of the aircraft carrier USS John F. Kennedy. Then he was the chief of staff for plans and policy of the U.S. Pacific Command, in charge of all strategic planning from California to the Persian Gulf, until his retirement in July 1974. He became the president of Nugan Hand bank early in 1977, recruited by Maurice Bernard Houghton, who apparently is an old friend.

GEN. LEROY J. MANOR, the chief of staff for the entire Pacific Command until he retired in July 1978 to undertake new duties that the Air Force says are so secret that it can't talk about them. These duties are generally known to have included negotiating the 1979 agreement with the Philippine government for continuance of the U.S. military bases there (which Gen. Manor used to command) and investigating the failed hostage rescue raid in Iran in 1980 (an assignment that apparently stemmed from his having designed and commanded the 1970 raid on a North Vietnamese prison camp that failed to find any U.S. prisoners). A much-decorated Air Force three-star general, he also had been the special assistant to the Joint Chiefs of Staff at the Pentagon for "counterinsurgency and special activities." He joined Nugan Hand's Manila office, allegedly to run it (which he denies), in 1978.

GEN. EDWIN F. BLACK, a 1948 graduate of West Point. He entered the Office of Strategic Services (OSS), which later became the CIA, and was the OSS commander in Berlin. He was the chief administrative aide to and frequent chess opponent of Allen Dulles, who became the head of the CIA. He was the wartime boss and then tennis partner of Richard Helms, who also became the head of the CIA. He was on the National Security Council staff under President Eisenhower and later the commander of all U.S. troops in Thailand during the Vietnam war, before becoming assistant Army chief of staff for the Pacific. He retired in 1970 to become executive vice president of the Freedoms Foundation in Valley Forge, Pa., a group promoting conservative politics. He also worked for LTV Corp., an important CIA contractor. In 1977, he became the president of Nugan Hand Inc., Hawaii, and special representative of the overall organization, making frequent trips to Asia. He says he was recruited by Adm. Yates and another admiral.

GEN. ERLE COCKE JR., whose entry in Who's Who in America says that during World War II he was "prisoner of war three times, actually 'executed' by a German firing squad and delivered the coup de grace but survived 1945." He held various posts with the Defense Department and as an executive with Delta and then Peruvian airlines. He is a former national commander of the American Legion, honorary commander of the Nationalist Chinese Air Force and holder of the French Legion of Honor and top medals from

office.

WILLIAM COLEBY, the U.S. director of central intelligence, 1973-76. He ran intelligence programs in Vietnam during the war. In 1979 and 1980, as a lawyer with the Wall Street firm of Reid & Priest, he worked for Nugan Hand on a variety of matters—tax problems; the Foreign Corrupt Practices Act; an abortive project to relocate Indochinese refugees on an island in either the Caribbean or the Pacific; an attempt to take over a Florida bank; the operations of Nugan Hand's mysterious Panama branch, and the problems surrounding Mr. Nugan's death. Mr. Colby submitted \$48,800 in bills, which weren't paid. A \$10,800 check for his retainer was issued but never cashed.

WALTER McDONALD, a career CIA officer since 1975 and deputy director in charge of economic research from 1972 to 77. Then, while still in the CIA, he helped his former boss, onetime CIA Director James Schlesinger, set up and run the U.S. Energy Department. He served on the National Foreign Intelligence Board, the senior advisory group in the intelligence community. He announced his retirement in 1978, went into consulting and almost immediately by his own account began spending most of his time with Nugan Hand, traveling in the U.S. and Europe with Mr. Nugan and talking with him daily.

GUY PAUKER, a Rand Corp. staff member who has advised the CIA and other government agencies since the 1950s, although he denies reports that he is a career employee of the CIA. Mr. McDonald, whom he calls his "good friend," once said that Mr. Pauker has long had frequent personal access to White House national security advisers, including Henry Kissinger and Zbigniew Brzezinski. Mr. Pauker went to work as a consultant to Nugan Hand after Adm. Yates introduced him to Messrs. Nugan and Hand. He, in turn, introduced them to Mr. McDonald. Mr. Pauker says he wasn't involved in any completed deals for the bank.

DALE HOLMGREN, a former U.S. Army officer in Taiwan who became manager of flight services for Civil Air Transport, a CIA-run airline in the Far East. He then went into business in Taiwan. He opened the Nugan Hand branch in Taipei in 1978 as a one-man representative. Adm. Yates once said that Mr. Holmgren had long worked with the U.S. military in Taiwan to develop "within the social structure of the Chinese in Taipei a close relationship with the U.S. military forces and the business and government community." Adm. Yates also said that Mr. Holmgren had worked for Nugan Hand without pay at least for a while because he had an independent income.

ROBERT "RED" JANSEN, a former CIA station chief in Bangkok who advised Thai governments through almost daily meetings with the prime minister in the early 1970s, according to persons close to them. He worked for Nugan Hand there in 1978, although he apparently severed his relationship that year (according to a colleague, because he was warned by the U.S. embassy that his presence at the bank had

Australian Mystery

U.S. Servicemen Are Big Losers in Failure Of Nugan Hand Bank

Laborers at Mideast Projects Also Suffer; an Iranian Is Down to 'Last Pennies'

A General's Smart Friends

By JONATHAN KWITNY

Staff Reporter of The Wall Street Journal
SYDNEY, Australia—The close relationship of so many former high-ranking U.S. military and intelligence officials with Nugan Hand Ltd., a private Australian bank, has aroused deep suspicions among some Australians that the company was in some way an instrument of the U.S. government.

Undoubtedly, the prestige of these men was a powerful help in getting business for

This is the second of a series of articles.

the bank. Retired Adm. Earl "Buddy" Yates, the former chief of staff for plans and policy of the U.S. Pacific Command, became the president of Nugan Hand in 1977. Occupying the bank's Manila office was former three-star Gen. Leroy J. Manor, the former chief of staff for the entire Pacific Command. Former Gen. Edwin F. Black was the president of Nugan Hand Inc., Hawaii. Former Gen. Eric Cocks Jr., the former national commander of the American Legion, handled Washington, D.C., matters for the firm, and William Corby, the former director of the CIA, performed legal work for it.

Nugan Hand went into liquidation in April 1980. Earlier, on Jan. 27, Frank Nugan, the Australian co-founder of the firm, was found shot to death in his car, apparently a suicide. Later, in June, the other principal, Bronx-born Michael Hand, a former Green Beret and covert U.S. agent, fled from Australia in disguise and hasn't been seen since. Continuing investigations have proved that the bank and some of its business customers were engaged in illegal activities from tax fraud to moving drug money.

Aggressive Salesmen

The U.S. State Department has issued a denial that the government was in any way involved in the operations of Nugan Hand. But this does little to ease the pain of hundreds of individual investors who had put their savings into various ventures sponsored by the bank. Over the previous three years, aggressive salesmen had taken deposits all over the world, promising yields well above prevailing interest rates. Since the bank's failure, claims for more than \$30

On the very day in January that Mr. Nugan was shot, Col. H. Kirby Smith, the chief judge of the U.S. Air Force Seventh Judiciary Circuit at Clark Air Force Base in the Philippines, handed \$20,000 to Gen. Manor, Nugan Hand's man in Manila. He received Nugan Hand certificate of deposit No. 11531, promising 11.25% interest. Col. Smith's claim says that he didn't hear of Mr. Nugan's death until the bank collapsed in April. It was "somewhat of a shock," he says, adding, "\$20,000 is a lot to a military man and his wife."

Col. Jimmy Maturo, since retired, was stationed in Hawaii when he deposited a total of \$7,000 on the recommendation of his old boss, Gen. Manor, he says. Col. Maturo deposited the last \$15,000 on March 12, 1980, long after Nugan Hand insiders began preparing for the bank's demise. "There are plenty of others (victims) around town," Col. Maturo said recently in Hawaii, adding a harsh comment about the "rats" who ran the company.

Gen. Manor's Role

Though the Philippines branch apparently wasn't authorized under Philippine law to take deposits, claims from Philippine residents have piled up at the liquidator's office in Hong Kong, which says that two of the documented claims were for \$1 million each.

In a recent telephone interview, Gen. Manor at first insisted that he "had nothing to do with Nugan Hand Bank." Faced with evidence, he said he "was brought in just to learn," and hung up. Records show that he worked for the bank at least as early as October 1979. Tony Zorrilla, Nugan Hand's public-relations man, says that Gen. Manor managed the Philippine office. Gen. Manor's partner there, Wilfred P. Gregory, says that Gen. Manor kept offices for a while both at Nugan Hand and at the U.S. embassy, a few blocks away. Told all this in a second call, Gen. Manor replied, "Many things in your line of reasoning are in error." Asked what they were, he broke off the interview again and wouldn't say more.

Adm. Yates declined to discuss Nugan Hand, even after he was told that the evidence seemed to put him at the center of its operations. "You print whatever you want," Adm. Yates said. "I've never had any success in dealing with reporters."

In the three months immediately after Mr. Nugan's death, the bank appeared to be trying aggressively to bag all the cash it could despite the growing prospects of its liquidation. A rich source of funds was Saudi Arabia, where the bank hauled in an estimated \$5 million to \$10 million from Americans who worked there. The Americans got their salaries in cash and then had no place to invest it because Saudi banks pay only nominal interest.

Visits on Paydays

As described in a claim letter from Tom Rahill, an American working in Dhahran, Saudi Arabia, "Representatives would visit Aramco construction camps in Saudi Arabia

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Australian Mystery: The Collapse Of Bank Hurts U.S. Servicemen

Continued From . . . Page

shortly after each monthly payday. We investors would turn over Saudi riyals to be converted at the prevailing dollar exchange rate and receive a Nugan Hand dollar certificate. . . . The money, we were told, were to be deposited in the Nugan Hand Hong Kong branch for investments in various "secured" government bonds."

Aramco and other large U.S. concerns, including Bechtel, Henry C. Beck Co. of Dallas and University Industries Inc. of San Diego, are said by investors to have permitted sales solicitations of employees by the bank and let suborned hold meetings on company property and use company bulletin boards.

"The companies were passing down to their employees that this was being made available, and they could put their money in and get 18%," says Linda Geyer, now of San Diego. When she lived in Saudi Arabia in 1978, her husband—who died recently of cancer—invested and lost \$41,451 with Nugan Hand, and her son, John H. Geyer, invested and lost \$2,500. Both men worked as plumbers with University Industries on a construction job run by the Beck company's Beck Arabia unit.

"Everybody said, well, Beck, they're not going in with just any old guy," says Mrs. Geyer. Nugan Hand's man in the area was Maurice Bernard Houghton, a Texas who was a close friend of Mr. Hand. Mrs. Geyer says that Mr. Houghton "only worked in cash. He left Beck, Bechtel and Aramco with so much money he could hardly even carry the case. One time he needed two briefcases. He used to brag about it. Some people I know lost \$100,000 or \$200,000 easy."

El Raji, the Money Changer

According to testimony that Mr. Houghton has given to Australian authorities, he was allowed into Saudi Arabia on sponsorship of the Beck company. Bill McIlhenny, Beck International's U.S. director, says that he has "heard of" Mr. Houghton but that he doesn't know whether Beck sponsored him. "I'm not prepared to talk about it," he says. U.S. spokesmen for Bechtel and University Industries say they know nothing about Mr. Houghton.

Mr. Houghton has said that he also took money from U.S. Air Force personnel in Saudi Arabia. Highly critical of the banks there, he has said that he took the bags of cash he collected to a local money changer named El Raji, who converted it to \$1,800 Thomas Cook traveler's checks. He sent the checks to Singapore, where most of them were apparently cashed by Mr. Hand, who was running the operation there, or by a colleague.

At least one victim, Edward F. Pietro, wrote for help to Gen. Black, the president of Nugan Hand, Hawaii. Mr. Pietro had served with Gen. Black in World War II, and he says the names of Gen. Black and Adm. Yates on Nugan Hand's brochures were an important factor in his decision to put \$4,000 into Nugan Hand on April 2, 1980, just three days before it filed for liquidation. He says that Mr. Nugan, then dead two months, was "described as quite healthy" by the salesman.

Gen. Black wrote back that he was "truly sorry about the death of Frank Nugan and the subsequent liquidation of his banking empire," but offered no sympathy to Mr. Pietro and no apology.

A Smart Fri

In a recent interview, Gen. Black—who also is a former executive director of the Freedoms Foundation in Valley Forge, Pa.—said he hadn't obtained any deposits for the bank because "my friends were too smart to go putting their money out of the country for hidden interest. If somebody had given me money and this happened, I'd feel personally liable to pay them back if it was a friend of mine. But I don't feel guilty because some guy got swindled. My name isn't well known enough around the world to convince many people" to invest.

Apparently one smart friend of Gen. Black was Rear Adm. L.R. "Joe" Vasey, who preceded Adm. Yates in his strategic planning job and now runs a political-research organization from Honolulu. Adm. Vasey says that both Adm. Yates and Gen. Black tried to get him to invest but that he declined.

Less wise, or at least less lucky, was Saeed Moosavi Nejad, 32, an Iranian lawyer who with his wife and four young children had sought refuge in the U.S. from the Iranian revolution in 1978. Mr. Nejad told his story, in a pathetic letter written in his best English to the Nugan Hand liquidator and later repeated it for this newspaper. In the Washington, D.C., office of retired Brig. Gen. Eric Cocke, Mr. Nejad gave \$20,000—"only a saving made almost within the last 25 years in order to live"—to Nugan Hand representative George Farris, a former Green Beret friend of Mr. Hand. Mr. Farris had promised Mr. Nejad 14% interest on his nest egg compared with the 11% he was making at a local bank.

Scratching a Living

Mr. Nejad can't find a job now. He performs occasional Islamic weddings and otherwise lives off \$400 a month his oldest son makes at a Gino's fast-food restaurant. He is suing Mr. Farris in District of Columbia federal court. "I have spent my last pennies," he says.

Gen. Cocke says that he never knew that his good friend Adm. Yates had registered him with the Treasury Department as "person in charge" of Nugan Hand's Washington office. He says he thought Nugan Hand was just resting space from his public-relations business, though he agrees that they shared a phone number, address and receptionist. He agrees also that he visited Nugan Hand in Hong Kong, welcomed Messrs. Nugan, Hand and Houghton in Washington, and arranged high-level White House contacts for Adm. Yates and Mr. Nugan to help their efforts to move Indochinese refugees to a Caribbean island and salvage surplus U.S. military equipment.

Gen. Cocke denies Mr. Nejad's allegations that the general constantly reassured him about the safety of his deposit, though Gen. Cocke agrees that they met and talked often after the money was invested. He agrees that after the collapse he gave Mr. Nejad the name of a Hong Kong lawyer to represent him and that it was Nugan Hand's former in-house counsel (Elizabeth Thomson, who declined to talk to a reporter). He agrees that he told Mr. Nejad early on that he had more than \$30,000 of his own money

Mr. ... says Gen. Cocke told him that the deposit was retrieved after the collapse and that Mr. Nejad could get his money, too, if he went to Hong Kong and hired Miss Thomson. Mr. Nejad says he couldn't afford the trip.

Gen. Cocke says he is still friendly with Mr. Farris, who is back at Fort Bragg, N.C., the Green Beret headquarters, "doing some consulting - Mr. Farris won't say on what."

A Doctor's Dilemma

A heavy loser was an Australian couple, Dr. and Mrs. John K. Ogden, who not only put \$750,000 into Nugan Hand but also gave Mr. Nugan power of attorney over their affairs. After Mr. Nugan's death, Dr. Ogden says he was frightened and went to Mr. Hand, who "kept reassuring me that all was well and there was no reason to take my money back." Now, at age 62, he has returned to medical practice. Meanwhile, Australian tax officers are snatching him on the \$750,000 the couple had invested.

The Australian investigations of Nugan Hand customers aren't as heartless as they might seem. Many of the firm's transactions, with business customers particularly, were "wash sales" carried out solely to establish paper losses for tax purposes. Clients would invest money in various ventures Nugan Hand set up. Fees, usually 2%, were deducted, and the rest would be "lent" back to the client with a separate letter forgiving repayment.

The result is utter confusion over who is a debtor. Particularly involved are 252 clients on a list found with Mr. Nugan's body; many are Australian celebrities.

"I'm taking action against people for their own money," says the Australian liquidator, John O'Brien. "They gave it to Nugan, he put it in another company and lent it back to them. Well I say, that it's our (the creditors') money, and I want it back." The courts haven't spoken yet, and Mr. O'Brien hopes that many clients will settle his claims in order to keep the source of their income secret.

Overdraws Bank Account

Mr. O'Brien has seized some assets, such as Mr. Nugan's \$1.3 million home that the company paid for. The Hong Kong official liquidator found only bank accounts that were overdrawn by a net \$65,000. Of the \$17.3 million listed on Nugan Hand's books as assets, some \$6.8 million turned out to be IOUs from Nugan Hand insiders or companies they controlled, according to the Hong Kong liquidators.

The one big institutional loser was Wing-On Bank in Hong Kong, which guaranteed—and has paid off—Nugan Hand's debts to Chase Manhattan Bank and other institutions that demanded guarantees from recognized banks before they took advantage of Nugan Hand's high interest rates. Wing-On itself supposedly was guaranteed against loss by blue-chip securities held in Sydney, but the blue chips were sold gradually after 1977 and replaced by intracompany IOUs, leaving Wing-On short by more than \$3 million at the end.

Some \$1.5 million in insurance on Mr. Nugan's life proved uncollectible because a coroner's inquest ruled his death a suicide.

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Banker Frank Nugan In Final Days Faced A Charge of Fraud

But His Violent Death Came
As Surprise to Associates;
His Partner Disappears

A Phone Call From 'Charlie'

By JONATHAN KWITNY

Staff Reporter of THE WALL STREET JOURNAL

SYDNEY, Australia—There were several reasons why Frank Nugan might have wanted to kill himself. But in January 1980, none of them were apparent to outsiders.

The 37-year-old co-founder of the Nugan Hand Ltd. private banking empire seemingly had the world on a string. His bank was taking in millions of dollars and had recently brought in a young American with impressive banking credentials to take some of the load off his shoulders. Mr. Nugan was negotiating to buy a multimillion-dollar estate for his family. And he apparently had whipped a serious drinking problem.

But as the fateful date of Jan. 26 approached, Mr. Nugan was confronted with

This is the last of a series of articles.

two serious legal problems that threatened possible ruin for his bank. In retrospect, moreover, there were signs of eccentric behavior that should have served as warnings.

Mr. Nugan had stopped spending most of his time at Nugan Hand's Sydney headquarters, and he was making more first-class jet trips around the world on missions his associates didn't always understand.

A Walk With Jesus

He began going to church daily and scrawling mystical notes in his Bible, which was always with him. A sample: "I place this day my life, my work, my loved ones in the Lord's hands. He is so good and it will be a good day I believe, I believe it will be a glorious, magical, miraculous day. He is with me now, Jesus walks with me now. Visualize 100,000 customers worldwide. Prayerize. Actualize."

One of Mr. Nugan's legal problems grew out of a 1977 scandal that had developed over a fruit and vegetable business run by Mr. Nugan's brother, Ken, in their home town, Griffith, 400 miles inland from Sydney. Several large insurance companies had acquired a 49% interest in the business during a 1973 stock sale to raise \$700,000 for a new cannery. Later, they complained that Ken Nugan was diverting funds.

Auditors discovered big cash payoffs to people apparently linked to narcotics traffic. Ken Nugan explained that the payments were to fruit farmers who wanted to remain anonymous for tax reasons and so were using dope dealers' names as pseudonyms. Amid much publicity, Ken Nugan fired the auditors and kicked the insurance men off the company's board.

This was done at two rowdy shareholder meetings at which drunks and thugs with newly issued 10-share stockholdings packed the hall and swayed procedural votes. Frank Nugan had helped orchestrate his brother's strategy, and state officials filed fraud charges against both brothers and a private detective they hired.

Sitting With a General

During the two years of court hearings to see if the charges would be tried, one of the men often at Frank Nugan's side was U.S. Gen. Edwin F. Black, who, after his retirement as assistant Army chief of staff for the Pacific, had taken a job as the president of Nugan Hand Hawaii. Gen. Black says that he attended the court hearings just to satisfy his curiosity.

Frank Nugan protested loudly that Nugan Hand was unconnected to the fruit and vegetable business. But when Nugan Hand Ltd. collapsed in April 1980, a few months after Frank Nugan's death, John O'Brien, a liquidator, said in his initial report that a "third party"—known to be Ken Nugan—had received \$1.6 million that his brother had diverted from Nugan Hand. Some \$1.1 million of this is credited as having been paid back. Nugan Hand funds also are believed to have been used to pay the Nugans' legal bills.

There were few details in the records. Immediately after his brother died, Ken Nugan went through Frank's office and, witnesses say, removed armfuls of files. A Nugan Hand director, Stephen K.A. Hill, has said that Ken also transferred a lot of Nugan Hand's stock in the fruit company to the wives of Frank Nugan and Michael Hand, the vice chairman of the bank. Mr. Hill says he argued vainly that the stock should be an asset of the bank.

Less than a month before he died, Frank Nugan learned that he and his brother would be tried for fraud, a development that seemed sure to affect his bank's reputation. (Ken Nugan's trial now is scheduled for later this year, after many delays.)

A Problem With Price Waterhouse

The other problem probably weighing on Frank Nugan's mind on the night of Jan. 26 was the refusal of Price Waterhouse & Co.'s Bahamas office to sign Nugan Hand bank's books for the year ended June 30, 1979. (The Bahamian office covers the Cayman Islands, where the bank had legal headquarters because of the soft regulatory climate there.) Mr. Hill had taken the books to the Caymans in October 1979. The local Price Waterhouse partners had approved the books for the two previous years, but this time there was a new Price Waterhouse auditor on hand, Clive Jennings. He balked. "There were significant gaps in the records," Mr. Jennings says.

Mr. Hill has testified that he rewrote the accounts annually on instructions from Frank Nugan. He said that in 1979 his boss ordered \$4 million in customer accounts

Please Turn to Page 16, Column 1

Australian Mystery: Head of Nugan Hand Bank Had Serious Legal and Personal Problems in Final Days

Continued From First Page

written off as having been paid in cash, off the books. To clean the bank's books, these accounts were assigned to Nugan Hand Panama, which Mr. Hill said was mostly a reservoir for phony accounts needed to balance the books. Most of the bank's \$17 million in stated assets were really IOUs from companies that were secretly affiliated with it, and these bogus assets were altered as needed to even the numbers.

Mr. Hill has testified that he was accompanied on the 1979 meeting with Price Waterhouse by U.S. Adm. Earl "Buddy" Yates, a former high-ranking officer in the U.S. Pacific Command who had become president of Nugan Hand bank in 1977. Mr. Jennings and his supervising partner, Richard Harris, who signed the 1978 books but was away during Mr. Hill's visit in 1979, say that Adm. Yates was present in 1977 and 1978 but not in 1979. Mr. Jennings says that in 1979 he sent Nugan Hand's emissary, Mr. Hill, home with a list of information he needed, "and that was the last I ever heard from him."

With the problem unsolved, Mr. Nugan himself went to the Caymans on Jan. 14-16, 1980, just 10 days before his death. Cayman banking authorities had notified him that if Price Waterhouse hadn't certified the June 1979 books by Jan. 31, Nugan Hand bank itself would be decertified there. This would damage Nugan Hand's relationships with major commercial banks throughout the world. Already, because of the lapse in audits, authorities in Singapore had asked on Dec. 5 to see the books, and Mr. Hand was trying to hold them off.

Messrs. Jennings and Harris say they went to Mr. Nugan's hotel room on Jan. 14 and asked for the necessary information, and he told them, "You'll never guess what happened. I came all the way from Australia with the answers to your questions, but then I left the file back in Australia." They say it would have been a bulky file. They say that Mr. Nugan called his secretary in Sydney and told her to send the file. It never arrived.

Hiring a New President

Mr. Nugan was losing his grip on himself and his job. In October 1979, an American, Donald Beazley, had been brought in as president of the entire Nugan Hand group of companies. Mr. Beazley was Nugan Hand's first real banker. A former Federal Reserve bank examiner, he had become the president of Great American Banks Inc. of North Miami, Fla., when Marvin Warner, its chief executive, had left to become President Carter's ambassador to Switzerland. When Mr. Warner returned, Mr. Beazley left to run Nugan Hand. Mr. Beazley is now the president of Gulfstream Bank in Boca Raton, Fla., whose one-bank holding company is listed on the New York Stock Exchange.

Mr. Beazley has told interviewers—including this newspaper—that he never really was the president of Nugan Hand, but "was just there on an interim basis (to) see if I

October 1979, when Nugan Hand's representatives from all over the world were flown at huge expense to Sydney for a conference. Mr. Beazley was presented as the new boss. Messrs. Nugan and Hand said that they would be reduced to broad policy makers and that all orders would come from Mr. Beazley from now on.

'Mike, Frank and Buddy'

Mr. Beazley, after being praised by Adm. Yates as "the finest banker in the United States under the age of 35," said, "It is a privilege and an honor for me to be president (of) this company." He said he had "had the opportunity to see it grow" during a close 2½-year relationship with "Mike and Frank and Buddy," and added that "the decision that I would want to be associated with this group" was "one of the best ones I've ever made, decision-wise."

He told the group, "You're fortunate to have probably one of the best money-market operators that I've ever seen and certainly one of the highest-qualified tax desk departments or divisions of firms that I've ever seen." This, even though Nugan Hand's money-market operations were consistent and intentional money losers, as the bank built up deposits by offering investors much higher interest rates than Nugan Hand got by investing the money for its own account. (The Hong Kong liquidator's office has calculated that from 1976 to its demise, Nugan Hand lost \$7.9 million in trading securities.) And many of Mr. Nugan's tax schemes later proved to be scarcely veiled frauds.

Hearing his words of praise for Nugan Hand repeated from transcripts of tape recordings obtained by this newspaper and verified, Mr. Beazley said that it was possible that he had said such things but that he couldn't remember. He also conceded the possible accuracy of reports that as late as March 1980, he had assured people that the bank was solid and would continue.

Lots of Gold Braid

Other leading lights at the October 1979 meeting were Adm. Yates; Gen. LeRoy J. Manor, the retired chief of staff for the U.S. Pacific Command; Walter McDonald, the recently retired deputy CIA director, and Guy Pauker, a consultant to various U.S. defense and security agencies. Gen. Manor helped run Nugan Hand's Philippine office, and Messrs. McDonald and Pauker had become consultants to the firm.

Everyone praised Nugan Hand lavishly and pledged tireless efforts to make it grow. But there were some disquieting notes, too. Representatives from Malaysia, Taiwan and Singapore openly expressed their uneasiness about what the Malaysia man called "our present non-official banking activities." All of these countries and others in the region, including Australia, have tight restrictions on taking money out of the country, which was Nugan Hand's main attraction in luring customers. Nugan Hand was allowed into many countries only under the belief that it was an international trade broker.

That summer his American-born wife, Lee, had returned to her parents in Nashville, Tenn., taking the couple's two children. Records show that she ran up \$21,200 in bills on her American Express card in nine months. Australian liquidator John O'Brien says that she also took \$1 million in traveler's checks with her. She has resisted numerous attempts by this reporter to interview her.

Going on the Wagon

Close friends of Mr. Nugan say that he wanted her back. He went on the wagon, ending a bottle-a-day Scotch habit, and he took off nearly 50 pounds—all in six months. He spent money in manic style. He paid about \$500,000 to remodel the couple's lavish waterfront home (said reportedly was hauled in for a beach) to impress his wife. But by several accounts she was revolted by its poor taste when she saw it on a brief trip home to attend a wedding at Christmas of 1979.

Mr. Nugan flew back to the U.S. with her on Jan. 9, 1980, but then was off alone to Florida, the Caymans and Switzerland, where he and Mr. Hand reportedly sought United Nations money for their refugee project. He apparently talked to former CIA Director William Colby and made plans to see him the next month. He told people that he was moving to the U.S. and entered negotiations to buy a Florida condominium.

He was back in Sydney Jan. 25. The next day he agreed to close another purchase: a \$2.2 million country estate he had dickered over for months—22 landscaped acres and a mansion—"the finest in Australia," he told its owners, a family named Darling. The deal was never consummated. That night he died.

Mr. Hand and the other Americans running the bank appeared to witnesses genuinely surprised by his death—and the sudden desperateness of the situation. Some big withdrawals were made about this time. Maurice Bernard Houghton, a mysterious Texan who played a big part in the bank's affairs, withdrew \$150,000 in February; he has said that he used the money on company business in Europe. Mr. Beazley withdrew \$200,000, which was transferred to his account in Florida; he says he can't remember what the money was for, but that he has repaid it though he can't prove it.

Gen. Manor Leaves Manila

When Nugan Hand's liquidation came on April 11, 1980, Wilfred Gregory of the firm's Manila office says that he and Gen. Manor were warned by their lawyer, William Quasha, to leave the Philippines or they "could wind up in jail." Mr. Gregory says that he stayed but that Gen. Manor left overnight. Gen. Manor, now running a retired officers' association in Virginia, wouldn't say when or why he left the Philippines, and Mr. Quasha says he can't discuss his advice to a client. Mr. Gregory kept the office for consulting work; he won't name his clients. His new partner was Philippine President Ferdin-

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had been a similar evacuation in January when Mr. Nugan died, but when things cooled off the salesmen returned. In April they barely escaped. "The situation became somewhat violent," Mr. Houghton has recalled. "The bank branch . . . was severely damaged by the depositors after Mike Murphy (the bank representative) left," he said.

In June 1980, Michael Hand, the firm's co-founder, went into hiding in an apartment next to a butcher shop owned by Robert W. Gehring. Mr. Gehring, a former U.S. Army sergeant, worked for Bernie Houghton. The three men had been close since Vietnam War days; Mr. Hand had been a Green Beret and then an undercover operative, and Mr. Houghton was a big trader throughout Southeast Asia. Mr. Gehring's shop was the place where many of Nugan Hand's records were secreted after Mr. Nugan's death. Mr. Gehring has testified that Mr. Houghton asked him to help Mr. Hand flee from Australia.

Mr. Gehring says that he coaxed an employee, Alan Winter, into lending him his birth certificate, which Mr. Gehring then used to obtain a passport in Mr. Winter's name without his knowledge. Mr. Hand's U.S. passport had been seized the previous December by the U.S. consul in Singapore because the Bronx-born American had become an Australian citizen. He had been warned that Australian immigration officials were under orders not to let him leave under his own passport.

The Phony Passport

Mr. Gehring has testified that a mysterious American named "Charlie," identified only as an old Army buddy of Mr. Hand's, showed up in Australia, created a disguise for Mr. Hand and arranged for him to travel to the U.S., via Fiji and Vancouver. Mr. Hand left in mid-June, and Mr. Gehring says he concealed his friend's departure for a week. Mr. Hand left his wife Helen behind, and she is still living in Australia.

So far, the only charges by Australian authorities in the Nugan Hand affair are against Michael Moloney, Mr. Houghton's lawyer, and Patricia Swan, Mr. Nugan's secretary, for allegedly obstructing justice during the destruction of records after Mr. Nugan died. Mr. Moloney concedes in an interview that he advised Mr. Hand to remove the firm's records, but he says he is being made a scapegoat in the case. Mrs. Swan has refused to be interviewed.

In February 1981, Mr. Gehring has testified, he was visiting his brother in San Francisco when he got a call from "Charlie." They arranged for Mr. Gehring to go to a pay telephone booth at the airport. At the appointed time, a call came from Mr. Hand, whereabouts unidentified. He asked about his wife and friends and said he wasn't using Mr. Winter's identity anymore. That is the last time anyone says he has talked to Mr. Hand.

INDIVIDUALS INVOLVED IN BOTH MIA
AND DRUG TRAFFICKING MATTERS

Some of the same people involved MIA matters are reportedly also involved in the satanic drug cult network.

The following was furnished by the American
Defense Institute, 1055 North Fairfax Street,
Second Floor, Alexandria, Virginia 22314

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The Pentagon's P.O.W. Papers

This collection includes three recently de-classified documents related to the U.S. government's efforts to account for 2266 American service personnel still Prisoner of War or Missing in Action in Southeast Asia.

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August 1992

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De-classified CIA Dispatch from Laos July 2, 1968

This collection of documents is a credible body of evidence proving that officials in the United States government deliberately abandoned literally hundreds of American servicemen being held as Prisoners of War in both Laos and North Vietnam in 1973.

Early in 1973, Henry Kissinger was finalizing negotiations with the government of North Vietnam on the Paris Peace Accords; the seven Watergate defendants went on trial; Richard Nixon was inaugurated for a second term and the U.S. Senate set up the Watergate Committee. On January 23rd, Nixon announced that the Accords were signed and that "all POWs Indochina" would be released within 60 days.

For years, the CIA had been waging a concurrent and secret war in Laos. By 1973, we had lost 581 servicemen (mostly pilots and air crews) in this secret war. The NY Times reported that the Pathet Lao claimed to be holding hundreds of these men prisoner. They demanded that we negotiate a separate peace treaty with them and cease our bombing of their country. We never negotiated and we continued to bomb them for many months thereafter. To this day, the Pathet Lao have not released even one American. What could have happened to all these men? Did they all die within a few weeks? Or did the Watergate besieged Nixon White House decide they must be abandoned so it could concentrate on saving itself? Are any of these men still alive? These are questions that cry out for answers. Government officials have given one answer for over 19 years: "There is no credible evidence."

The document at right confirms that the CIA was "maintaining a current list of POWs and MIA in Laos" in 1968. It appears that Major David Louis Hrdlicka is being added to the list and the 24 men listed here are presumed dead. The point is that the CIA could reasonably be expected to continue maintaining this list until at least April 1973 when the North Vietnamese released 591 American POWs from their prisons in Hanoi.

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DISPATCH		SUBJECT: [REDACTED] I	
See Distribution Below		CLASSIFICATION: [REDACTED] F	
Chief of Station, Vientiane			
JPRC - U.S. POW's and MIA in Laos			
Reference: [REDACTED] D		Action: [REDACTED] D	
<p>Station discussed Attachment to Reference with [REDACTED] which is responsible for maintaining a current list of POW's and MIA in Laos. The following individuals were not on [REDACTED] list:</p> <ol style="list-style-type: none"> 1. Blessett, Allan L. 2. Chambers, Jerry L. 3. Cius, Frank Edward, Jr. 4. Duffy, Charles J. 5. Fellows, Allan E. 6. Gardner, John Garrett 7. Glover, Calvin C. 8. Guillermin, L. F. 9. Guy, Theodore F. 10. Hansor, Stephen Paul 11. Hensley, Thomas T. 12. Kuebel, Thomas E. 13. Leonard, Edward W. 14. Lyon, Donovan L. 15. Mason, William 16. McPhail, William T. 17. Mitchell, Thomas B. 18. Mullen, William F. 19. Park, Raymond F. 20. Pate, Gary 21. Pletsch, Robert E. 22. Rash, Melvin D. 23. Stischer, Walter 24. Wallace, Michael W. <p>[REDACTED] list one individual not on Reference list: [REDACTED] Hrdlicka, David Louis, Major, USAF, PR 72541.</p>			
Distribution:		[REDACTED] 9	
2 - COS/VIENTIANE		[REDACTED] I	
DATE: [REDACTED]	CLASSIFICATION: [REDACTED] I	DATE: [REDACTED]	CLASSIFICATION: [REDACTED] I

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De-classified Eagleburger Memorandum for Secretary of Defense Elliot Richardson March 1973

page 2

This memo is a "smoking gun." In 1973, Lawrence Eagleburger knew that the Pathet Lao was holding a large number of American POWs in Laos.



ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20306

INTERNATIONAL
SECURITY AFFAIRS

In reply refer to:
I-35174/73

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: U.S. POW/MIA Personnel in Laos - ACTION MEMORANDUM

REF: Your 13 Mar 73 query on Laos POWs (attached)

On 1 February 1973, North Vietnam (NVN) released the names of ten POWs who were captured in Laos. NVN claimed that these ten people were prisoners of the Pathet Lao, but DIA analysts indicate these individuals were actually captured by the North Vietnamese in Laos. The ten POWs identified consist of nine Americans (six USAF, one USN, two civilians) and one Canadian. The evidence indicates that most, if not all, of the ten are currently being held in Hanoi.

DIA lists approximately 350 U.S. military and civilians as missing or captured in Laos. Therefore, the Lao Patriotic Front (LPF) list of ten POWs constitutes only a 2.5% accounting. In contrast, the NVN list represents 45% and the PRG list represents 20% of the POW/MIA personnel carried on our lists in those respective areas. There is an obvious lack of reporting on the part of the LPF. Because of the foregoing statistics and analysis of the conditions under which our people have been lost, DIA concludes that the LPF may hold a number of unidentified U.S. POWs although we cannot accurately judge how many. The American Embassy, Vientiane, agrees with this judgment.

Several diplomatic moves have been made recently in an attempt to get an accounting and release of American prisoners being held in Laos. On 10 March 1973, the LPF Delegation chairman in Vientiane informed us that recent U.S. demarches regarding prisoners in Laos had been conveyed to Souphannouvong, the Lao communist chief, personally. No other information was made available.

On 15 March the Secretary of State instructed Ambassador Godley to "...single out Soviet Ambassador for the full treatment..." regarding the lack of progress in Vientiane on political and POW matters. Godley was also instructed to inform the Soviet Ambassador that we "...continue to hold North Vietnam to its commitments on releasing all U.S. POWs in Laos by 28 March and will not tolerate any delays." No communist response to this line of action has been noted as yet.

On 22 March 1973, the United States informed NVN and the PRG that the U.S. would "...complete withdrawal of its military forces from South Vietnam in accordance with the terms of the agreement and coincident with the release of all repeat all American prisoners held throughout Indochina." This statement was aimed directly at securing release of all U.S. prisoners held by the Pathet Lao.

On 22 March Ambassador Godley addressed the Laos POW/MIA question at length in Vientiane 2139 (attached). Godley separates the 1 February list of ten prisoners from the issue of accounting for the remaining POW/MIA's in Laos. The Ambassador states that the LPF "...Just has not focused on the PW repatriation and accounting problem until very recently..." Godley concludes by recommending that we concentrate on helping the ALG get an acceptable military protocol to the Laos cease-fire agreement approved by the LPF. In this way the Ambassador is hopeful that we can eventually gain LPF cooperation in the POW/MIA matter. However, Godley also states that he is having great difficulties in influencing the ALG negotiators; and he states we must expect many nonconcurrences from the LPF.

On 23 March, the U.S. Delegation to the Four-Party Joint Military Commission (FPJMC) was instructed by Washington to reaffirm our negotiating stance. General Woodward was instructed to seek a private meeting with the NVN representative and inform him that the U.S. must have assurances that the prisoners on the 1 February list will be released by 28 March. Given these assurances, private or otherwise, we will complete our troop withdrawals. This 23 March guidance to the field also indicates that "...we intend to pursue the question of other U.S. personnel missing or captured in Laos following the release of the men on the 1 February list."

To review the bidding to date, the U.S. is prepared to accept release of the ten men on the 1 February list along with the other U.S. personnel being held in NVN as the final condition for complete U.S. troop withdrawal. However, there has been no accounting of U.S. personnel MIA in Laos other than the 1 February list of ten who were probably all captured in Laos by the NVA rather than the Pathet Lao. Hence, assuming all the prisoners currently being held in NVN are released by 28 March, we still have the Laos MIA question remaining unresolved. Additionally, Ambassador Godley proposes that we rely upon the yet-to-be developed and approved Lao Military Protocol as a means of gaining satisfaction on this issue. And finally, Ambassador Godley does not discuss Hanoi's influence or control of the LPF on this issue.

From the foregoing, there appears to be need for a well-orchestrated plan for solving the problem of our Laos POWs and MIAs. Therefore, I am recommending below a series of diplomatic moves aimed at gaining a proper accounting of our men lost in Laos. You may wish to pass along to the President part or all of the following diplomatic track:

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- A. After the recovery of the last prisoners from NVN, Hanoi should be advised unequivocally that we still hold them responsible for the return of all POWs being held in Indochina. And in this regard, any further mine sweeping activity as well as all future U.S. reconstruction assistance should be described as wholly dependent upon the accounting for and or release of U.S. prisoners being held in Laos. Once again, NVN should be clearly informed that an accounting for ten men out of a total of more than 350 is considered unacceptable.
- B. In the meantime (just after 28 March), a strong demarche should be made to the ranking LPF representative in Vientiane by the U.S. Ambassador personally. This initiative should plainly and forcefully assert that the U.S. will no longer play games with the POW issue in Laos. The LPF should be told that we have reason to believe they hold additional U.S. prisoners, and we demand their immediate release as well as an accounting and information on all those who may have died. Finally, the LPF should be advised that failure to provide a satisfactory answer could result in appropriate United States actions.
- C. Simultaneous with our representations to the LPF, the U.S. Ambassador to Laos should also ask the USSR, PRC, NVN, French, British and ICC senior representatives to Vientiane to use their good offices with the LPF in order to avoid a serious situation.
- D. Shortly after 28 March, assuming the LPF have not responded favorably, intensive and obvious tactical air reconnaissance of North and South Laos should commence. Additionally, the movement of a new carrier task force into the waters off Vietnam should be publicly announced.
- E. Concomitant with the foregoing, the LPF and NVN should be privately advised that the Thai Volunteer forces now in Laos will not be removed until there is a satisfactory resolution of the POW issue.
- Other moves that may be worthy of consideration are listed below. They should only be contemplated if we are reasonably strongly convinced that the Pathet Lao hold POWs.
- A. Ambassador Godley could be instructed to "lean hard" on Souvanna Phouma and tell him to let the LPF know that political concessions in the new Provisional Government of National Union (especially as regards LPF appointments to cabinet posts) will be next to impossible without resolving the POW question.
- B. As a last step, U.S. air strikes and Lao and Thai Irregular offensive operations could be resumed in Laos in order to force the release of our prisoners in Laos.

Mr. Eagleburger recommends resuming air strikes "in order to force the release of our prisoners in Laos." U.S. air craft did, in fact, continue to bomb Laos for many months after this memo was written. Mr. Eagleburger is currently the number two man in President Bush's State Department.

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The foregoing recommended diplomatic/military moves would represent a considerable toughening of the U.S. stance regarding our POWs being held in Laos. Such a line is even harder to take without a clear picture as to how many U.S. personnel are actually being held in Laos. The intelligence data available is voluminous but imprecise. However, the evidence indicates that the NVN/Pathet Lao forces have captured U.S. personnel since 1964, and the LPF have provided no prisoner or casualty data at all other than the ten names listed on 1 February. Therefore, the hard negotiating track outlined in steps A through E above, and possibly even the optional steps A and B, seems clearly justified. Finally, it is recognized that this is a very delicate situation, and the application of any one or all of the above actions cannot assure success--there is, of course, little physical risk associated with options A through E.

If you approve of the above listed courses of action, I recommend you sign the attached memorandum for Dr. Kissinger.

Lawrence S. Eagleburger
Acting Assistant Secretary

Attachments: (3)
SecDef query dtd 13 Mar
AmEmbassy Vientiane msg 2139
Proposed memo to Dr. Kissinger

No coordination required.

Prep: Ltc Secord/1s/AD/23Mar73/53164
Dist: Orig #1 addce
b1 #2 RC
Yelo #3 AD
Iwt #4 1SA/S

Prepared by RABH Bigley, X54175
& LTC Secord, X53164

Elliot Richardson's initials were handwritten on the attached memo indicating that it was delivered to Henry Kissinger in the White House. Dr. Kissinger's number two man at that time was Gen. Brent Scowcroft who is now President Bush's National Security Advisor.

The simple chronology at right is the key to understanding why and how officials in the Nixon Administration may have decided to abandon not only the living prisoners left in Laos but many others held hostage in North Vietnam as well.

The ferocity of the scandal swirling around the White House became evident on April 17 when Nixon felt compelled to waive Executive Privilege. On that day, his Presidency started to slide down the slippery slope to oblivion. It is obvious that Nixon may have felt he had no choice but to abandon our POWs.

When Nixon finally resigned in August of 1974 to avoid being impeached, many of his staff stayed on in the Ford Administration. Kissinger remained as Secretary of State. Scowcroft became Ford's Assistant for National Security Affairs, the same post he now occupies in the Bush White House. George Bush, himself, was appointed Director of the CIA in 1975 after a stint as Ambassador to China. Ford's Chief of Staff was Dick Cheney, the current Secretary of Defense.

The power of the Presidency in late 1974 had been emasculated by Watergate. Officials in the Ford Administration may not have believed they could afford to admit that living American POWs were still being held in Indochina. The lid of secrecy was kept on this politically explosive situation for two and a half more years until Ford lost his re-election to Jimmy Carter. Carter may never have been told. Later, hostages held in Iran took Carter out.

In 1979, a Marine Pfc. named Robert Garwood who had been a POW for 14 years was able to pass a note to a Finnish diplomat in Hanoi saying he wanted out. The Vietnamese told Garwood before he left that he would be treated as a traitor. In de-briefings, he claimed that he had seen about 70 other American POWs in North Vietnam after 1973. The de-briefings were classified. He was court-martialed and convicted of collaborating with the enemy.

Why would the Nixon Administration abandon American POWs?

A Chronology of Key Events in 1973

Jan. 23 - President Nixon announces signing of the Paris Peace Accords and release of "all POWs in Indochina."

Feb. 1 - Henry Kissinger delivers a secret letter to Pham Van Dong promising to pay Hanoi \$3.25 billion in aid.

Mar. 28 - Last group of 591 American POWs is released from Hanoi. Most report that they were brutally tortured.

April 7 - In response, the U.S. Senate votes 88-3 to prohibit the Nixon Administration from giving any monetary aid to North Vietnam without Senate approval.

12 - The U.S. Department of Defense issues this statement: **"There are no more prisoners in Southeast Asia. They are all dead."** This becomes official policy.

17 - Caving in to intense pressure, Nixon agrees to waive Executive Privilege and allow members of his staff to testify before the Watergate Committee.

30 - Nixon fires staffers Bob Haldeaman, John Ehrlichman and John Dean before they can testify.

May 10 - Two former Nixon Cabinet members, John Mitchell and Maurice Stans are indicted in New York.

Statement of Barry A. Toll to the Senate Select Committee on POW/MIA Affairs June 14, 1992

This extraordinary statement speaks for itself. Mr. Toll was in the loop just outside the Oval Office from 1973 to 1975. Nixon knew. Kissinger knew. Ford knew.

BARRY A. TOLL
St. Petersburg, Florida 33713
June 14, 1992

SENATOR JOHN FERRY
D - Massachusetts
Chairman, Senate Select Committee on POWs and MIAs
Washington, District of Columbia

S T A T E M E N T

My full name is BARRY ALLEN TOLL and I reside at 2910 29th Street North, St. Petersburg, County of Pinellas, State of Florida. I am a numerous combat decorated veteran of Vietnam, where I served as an Infantryman, Long Range Reconnaissance Patrol Leader and Special Operations Intelligence Specialist, while in the United States Army from 14 June 1967 through 16 August 75. When I was Honorably Discharged, my service numbers were variously US 53 702 178, RA 53 703 178, and RA 267-04-3053 (Social Security Account Number). I am service connected disabled rated from the Vietnam War.

Your Select Committee is currently investigating some events that I have direct knowledge of, and which coincidentally, were instrumental in my requesting immediate relief from duties and Honorable Discharge, on 4 July 1975. The events I referenced during debriefings, that the Select Committee would be interested in, occurred during the periods June 1973 through July, 1975, when I personally saw, distributed and briefed high ranking officers of the Joint Staff, on intelligence reports, analyses and operations regarding the transfer of U.S. POWs and/or MIAs from the custody of North Vietnamese or Laotian authorities through Soviet Bloc nations, or directly into the USSR. Further, it was the considered opinion of the Joint Chiefs of Staff, and the entire U.S. intelligence community, that at the conclusion of Operation Homecoming in 1973, that there were an estimated 390 to 340 U. S. POWs and MIAs alive, and held captive in Laos, and that analyses and reporting was disseminated to the President of the United States, Richard Nixon. I specifically recall that information being included on a list of the President's Daily Intelligence Briefing agenda more than once, and reports or real time transfers in progress (aircraft bearing US POWs in the air enroute to USSR and Soviet Bloc countries) being passed to the White House for the President several times in this period. There simply is no doubt that the President knew of these conclusions and events, barring a massive and collusive intent to deprive him of the information. I am fully prepared to make these statements under oath and penalty of perjury and would submit to qualified polygraph examination with regard to the content of this statement. From June 1973, until 4 July 75 I was variously assigned within the World Wide Military Command and Control System or World Wide Airborne Command Post system as an Intelligence Specialist and Operations Assistant on Battle Staff Teams formulated

specifically to implement the nation's highest strategic nuclear policies and plans, and directly assist the President or designated National Command Authority in so doing. I was assigned by Department of Defense, order of the Secretary of Defense, in billet J3A12A with duties primarily at the Commander in Chief Atlantic's Airborne Command Post, v/duty station Langley AFB, Virginia, or at times temporarily detailed at National Emergency Airborne Command Post, Andrews AFB, or other remote alert stations to perform our mission.

In a nutshell, such Battle Staff Teams are promulgated, trained and responsive to the Chairman, Joint Chiefs of Staff, through the Deputy Director of Operations of the Joint Staff, and were assigned the mission to assist the President, his designated successor or certain Alternate Command Authorities as specified in the Single Integrated Operational Plan (SIOP) and the Presidential Decision Making Handbook (REDBOOK), and their related Annexes, especially Annex E to the SIOP, Emergency Action Procedures (EAP) Volume IV. In short, we were there to lead the President through a Nuclear Execution...and redundancy in our Teams was of course, critical to accomplishment of our mission.

To accomplish this mission, members of National Command Authority SIOP Execution Teams held an unusually wide and diversified range of extremely sensitive Top Secret and above, Security Clearances as we were privy to the combined input of the entire U.S. Intelligence Community to the President. In order to be capable of assuming responsibilities to brief and assist him in a SIOP environment, on a moment's notice, 24 hours a day, 365 days a year, simply put, we had to know what he knew when on duty, and were so indoctrinated on what we'd missed when off duty upon assuming a new shift of Alert Status, and therefore were required to possess the following clearances as essential to mission accomplishment: Top Secret based upon Expanded Background Investigation, Single Integrated Operational Plan (SIOP) and associated special Annexes, Presidential Decision Making Handbook, (REDBOOK), Extremely Sensitive Information (ESI), Special Intelligence (SI), Presidential Sealed Authentication Systems (SAS...the football), Cryptological (CRYPTO) and many too numerous to mention and caveat special operations or Restricted Classified Information Special Accesses, some of which have Top Secret Codings designations and cannot be uttered aloud under any circumstances.

To be blunt about it, then, there were but a handful of men within the entire USG that possessed such concentrated accesses to classified information on such an across-the-board, integrated basis. Such "need to know" can only be justified for a few positions, and it was not unusual to be in possession of highly specific information that even the highest cabinet officers or heads of other intelligence agencies, might be unaware of, owing to the tight compartmentalization of zealously guarded secrets throughout the Department of Defense, State, Justice and the various intelligence gathering agencies or departments. At the time of the U.S. POW homecomings, it was the consensus, through

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Statement of Barry A. Toll (cont.)

the combined input of the entire U.S. Intelligence Community, and the accepted position of the Joint Chiefs of Staff, that there were 290 to 340 American POWs and MIAs alive and being held in Laos. These personnel consisted of survivors of the later admitted 490-some pilots and crew members downed in aircraft over Laos, either fixed wing or rotary, and Special Operations personnel taken on the ground in Laos alive or simply disappeared while on ground mission in Laos in intelligence operations or gathering activities. There is no doubt, that while this information was highly compartmentalized, President Nixon, and National Security Advisor Kissinger (soon to be SecState, nominated Aug 71, confirmed Sep 73) were fully briefed and advised as to the JCS and various intelligence entities position on these analyses. While I cannot state that I personally briefed either, or was present when either was briefed on such conclusions, reports and analyses, we were aware daily of what the President had been briefed on in our off-time, and daily agendas and summaries of his Daily Intelligence Briefing and Summaries.

During the period September 1973 through April 1975 I can personally recall on at least three, and as many as five, occasions when CIA/DIA and NSA would track the real-time movements of Soviet or Eastern Bloc aircraft carrying U.S. POWs or (on one occasion) CIA operative(s) from North Vietnam to either the USSR proper, or to either East Germany or Poland. I believe on one occasion the destination became Bulgaria. Each time, a minimum of three American personnel were transferred, and sometimes, up to five. The intelligence validity of these reports were basically rated A-1, which then meant, Usually Reliable, Confirmed by Other Source...our most reliable rating. It is important to realize that this was combined, integrated intelligence product that referenced a number of sources, ranging from agents, to NSA electronic intelligence, satellite and other sources. Typically, the transfers would occur under the guise of a routine, scheduled Diplomatic Courier flight of the Soviet Union, or East German or Polish flag, departing from Hanoi and proceeding to respective capitals. On two occasions, the particular Ambassador from the flag country to NVN was on board also. The conclusion, intelligence wise, was that the USSR was worried at that point that the U.S. might attempt an intercept and force down of such missions, and they sought to "up the ante" for such an attempt. Previous to these missions, POW transfers were accomplished to East Germany (and presumably on to USSR) on military cargo flights returning from delivering aircraft parts to NVN (that was the cover the USSR utilized for earlier transfers of American POWs/MIAs).

A plan was developed and on one occasion actually activated to intercept and force down such transfers from North Vietnam. On the attempt I recall, the aircraft believed carrying American POWs, diverted from its flight plan and intended destination and fled into Soviet airspace at the approach of U.S. intercept aircraft, and the attempt was abandoned; but I definitely recall one such attempt and the real-time reports of its onset going to the President under Optep-3 RED ROCKFI format..Further, after two

or three landings under a specific diplomatically issued Courier flight, an intelligence operation was planned and attempted to have agent(s) attempt to photograph in East Germany, the deplaning on arrival there, of the American POWs. I cannot recall specifically, but the attempt was unsuccessful owing to either the distance between vantage point and avenue of approach to the proximity of the aircraft and the telephoto quality/ratio of the lens utilized, and the time (darkness) of the landing and deplaning.

Shortly after the October War, in 1973, we noticed that stepped-up transfers of such POWs was occurring, and it was soon learned and believed that the reasons for this increase was due to the Soviets' gleaming that the Israelis had enhanced technology, unencountered before in SEA, that were utilized in the conflict with Egypt and resulting Syrian events. Briefly, they started sending increased POW "backseaters" or "EMOs" (Electronic Warfare Officers) or "black box" experts, held in North Vietnamese custody, for interrogation by Soviet or Soviet Bloc experts. It seemed that the Soviets had determined that we had either found more effective counter-measures to their ground to Air, or Air to Air missiles, and that our Air to Air missiles were behaving differently than the sort exposed in Vietnam and SEA. It was determined that the Soviet technicians responsible for evaluating such data, had requested that American POWs with background in these technologies be sent out of the theater into Soviet environs for real-time interrogation with the experts and technicians present to fully influence the course of the interrogations in real-time, in an attempt to evaluate and cognize the specifics of the new technology experienced via the Israeli air operations during the October War and its aftermath. On each occasion, these reports, analyses and background summaries were marked as having been either included in the President's Daily Briefing, or Special Briefed to the President. Of course, the routing on these highly classified and sometimes Eyes Only reports, would include the White House and National Security Council.

On one occasion when a transfer was in progress, the suspected identities of the three Americans being transferred was believed known. This flight also was the one I recall analyzed as bearing the "CIA Operative", as well as two backseaters, "Moscow Bound". I specifically recall that we had difficulties observing the transfers physically of the American personnel, because even if the flight arrived in daylight (for instance the Courier cover flights), and that aircraft would remain, and we believed the detainees were moved onto other aircraft bound for the USSR, they would do so at night...typically keeping guards around the plane (satellite photo) long after the crew and passengers deplaned, until such time the detainees could be moved to another craft or location, surreptitiously, under cover of darkness.

I have noted press releases that the DOD or DIA have recently denied having knowledge of these transfers. Either the persons reporting that to you are lying or they are misinformed in a concerted fashion. There is no question that we believed these

Statement of Barry A. Toll (cont.)

transfers occurred, monitored them, planned operations to attempt to intercept certain ones anticipated, and developed intelligence product of high quality confirming them... to the extent that on one occasion I specifically recall, we knew of the upcoming transfer in advance.

As an aside, we would receive these documents of such events, through Top secret secure cryptological device; however, we now know such believed secure encryptions were compromised by John Walker's activities and may account for the Soviet avulsion of the particular intercept attempt, I referenced earlier. The orders to proceed and planning for this attempt was transmitted over these channels. The reason I recall such events is they had great impact on me, and other associates (many whose names I recall and can provide) who witnessed them, through the document and briefing process.

Quite frankly, I abandoned my theretofore exemplary career, in protest and in principle, and stated so in debriefings later and referenced them in my resignation statement, as being critical to my decision to leave the Armed Forces. I had vowed, despite growing apprehension of these and numerous other events associated with the Vietnam War, and other SEA activities, to remain until the end. With the fall of Saigon, the onset of the Cambodian genocide, and the continued, direct lying to and manipulation of the American people by its' leaders, especially its' Presidents, on these events, I could no longer remain in good conscience, within the direct chain of command to the then Commander-in-Chief. I have full documentation of my duty positions, nature of service and all official reports on my evaluations and duty appraisals during this period. The record shows I carried out these highly classified and sensitive duties in an exemplary manner, and that I was generally amongst the top three men in the entire Army with regard to rated proficiency as an Operations and Intelligence Specialist in these duties.

Previous statements I have written and tendered within the last two years to either USG executive branch departments or agencies, or my Senator or other Congressperson pursuing collateral investigations are thoroughly consistent with this statement. I would be glad to provide such consistent statements and their recipients names to the Committee if asked. These are the basic facts as I recall them. Some are indelibly etched on my mind, as you may surmise, owing to the profound nature of the event's implications, and the secrecy involved in concealing our analyses from not only our enemies, but the American people too, who were misled about the totality of the exchange in Operation Homecoming. I will be glad to talk with appropriate members of your staff and provide further details should you so deem it of interest to your committee. When first approached by certain entities of providing your committee with this information, I delayed, because I thought the then upcoming testimony of other witnesses would certainly provide far more information than what I witnessed. It is only of late that I have come to realize there apparently is still a cover-up going on as to what the JCS and

intelligence Community positions and analyses were, and what the President and highest government officials knew during those times.

Of my recollections, I am extremely confident: these events altered my life irrevocably and caused me to abandon a highly acknowledged career, halfway to retirement... in short, they were endemic to a major passage of great moral consequence in my life. As I stated earlier, I am at your disposal to proffer these statements under oath and penalty of perjury, and even to undergo appropriate polygraph examination as to their content. I have remained silent about these, and other events for many years, but the "cold war" is now over and the truth has been denied under the misused "national security" cloak for far too long now. It is time the people learn the tragic truth of those days on this issue. Many good men I know, left their careers behind during those days, which were highly demoralizing to many of us, to know the reality perceived at the highest levels of the Executive.

It falls to your Committee to remove these veils of secrecy, deceit and mis-history as best you can, and set the record straight for those that would follow, and choose to know the truth, sad as it is, and as deliberately obscured, as some have obviously tried, and would still try, to make them.

END OF STATEMENT OF BARRY ALLEN TOLL

BARRY ALLEN TOLL
2930 29th Street North
City of St. Petersburg
County of Pinellas
State of Florida

The Senate Select POW Committee has held five full days of public hearings since Mr. Toll submitted this statement. He has not been called to testify. The Pentagon alleges that Mr. Toll is a convicted drug dealer and therefore is not credible. If true, this seems very convenient for the Pentagon.

It also seems convenient that Pfc. Garwood is a convicted collaborator. He is the only free American who claims first-hand, on-the-ground knowledge of living American POWs in North Vietnam after 1973. Garwood has not testified either.

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Ronald Reagan Letter to MIA Parents

May 19, 1982

THE WHITE HOUSE

WASHINGTON

May 19, 1982

Dear Mr. and Mrs. Fleckenstein:

I'm sorry to be so late in answering your letter, but it has only just reached my desk. First, let me say I have placed your son's bracelet with the others. I did so with mixed emotions; pride in these splendid young men but sorrow at the tragedy these symbols represent and, yes, anger at those responsible.

I remember the affair at the Century as does Nancy, and have a vivid memory of that day in the office at Sacramento. I've met Todd recently -- a grown-up young man now.

I can only tell you that efforts continue, and every report or rumor of the kind you mentioned in your letter is checked out. I know there is a perception that little action is taking place but this is because the operations that are going on are of a covert nature. The communists now in charge in Vietnam offer no cooperation, so it has become necessary to follow another course.

I will personally bring to the attention of the Secretary of Defense your son's case, and reiterate my own position that we continue to resolve this situation with every resource available to us.

There are no words that can be helpful -- I wish there were. Please know you are in our thoughts and prayers.

Sincerely,



Over the past 19 years, the families of a great many POWs and MIAs have strongly suspected that they were being lied to by officials in the Defense Department, State Department and the White House. The letter at right is a case in point. Over ten years ago, President Reagan tells the mother and stepfather of MIA Lt. Cmdr. Larry J. Stevens that the government is conducting operations "of a covert nature." The Fleckensteins later received a very perfunctory letter from then Secretary of Defense Casper W. Weinberger. No more information about these "covert" operations has ever been given the the Fleckensteins or anyone else.

Gladys Fleckenstein was notified just after St. Valentines day in 1969 that her son's A-4 Skyhawk flying a mission off the USS Coral Sea was missing somewhere over Laos. Several Shipmates of Lt. Cmdr. Stevens have told his mother that Larry's plane went down over Cambodia; not Laos. Recently, the Pentagon has admitted that they falsified the locations of most shoot downs which occurred over Cambodia because the secret combat operations there were not officially authorized. They lied to Larry's mom.

Lt. Cmdr. Stevens has been named in numerous eyewitness reports from SE Asian refugees as being held prisoner. Some of these reports are very recent. In one of them, he was reported being held in a camp with USAF pilot Col. John L. Robertson. Sheets of fingerprints with the names Stevens and Robertson written on them came with the report. When Gladys asked the Pentagon whether the fingerprints could be identified, she was told that the fingerprint records of both men were missing from their files. She then went to the County of Los Angeles and the State of California seeking copies of Larry's fingerprints and birth certificate. She found records for her other two sons, but not for Larry. Recently, Gladys, Jack Fleckenstein, Dennis and Gary Stevens were seen together on TV chanting to President Bush "Tell us the truth, no more lies." Bush told them "Shut up and sit down." The media reported that the President was being heckled.

De-classified Brooks Memorandum September 25, 1985

DEFENSE INTELLIGENCE AGENCY
WASHINGTON, D.C. 20315



YELLOWING PAPERS

26 SEP 1985

C-109/DC

MEMORANDUM FOR BOEHM SHUFELT (YO)

SUBJECT: The POW/MIA Issue (U)

1. (c) I was not at all pleased with the situation I found when I took over responsibility for the POW/MIA issue. The deeper I looked, the less professional the operation appeared. It appeared to be particularly sloppy in the late seventies, but it is by no means a squared-away operation today. As a professional intelligence officer with a significant portion of my career spent as an analyst, I found the following to be particular problems:

a. Case files were incomplete, sloppy (all mixed-up, loose papers, undated scribbled analyst notes, misfiled papers, etc.) and generally unprofessional.

b. There were no action logs in the cases or where there were logs, entries had not been made in a long time.

c. Follow-up actions had not been pursued. In some cases, obvious follow-up actions were called for but were never taken and years had passed.

d. There was no tickler system to ensure that we followed up on our own tasking. Thus, we might have tasked imagery or tasked JCRC years ago, never got a response, and never followed up.

e. Efforts to recontact sources in the U.S. were perfunctory at best and normally amounted to merely trying to contact them by telephone rather than using local DoD or law enforcement agencies to track them down and then calling on them in person.

f. We had never employed some of the most basic analytic tools such as plotting all sightings on a map to look for patterns, concentrations, etc.

2. (c) Thus, there is a great element of truth in General Tighe's statements that we have done a sloppy job. I come to the same conclusion after having looked into the issue probably in somewhat more detail than General Tighe, but not for as long a period of time.

3. (c) With regard to the allegation of "a mindset to debunk", I must conclude that there is an element of truth to this as well, although probably not as much as has been publicly stated. In fairness to DC-2, a good measure of this is attributable simply to human nature. The analysts have seen so many fabrications for so long that their first subconscious reaction is "this is just more of the same garbage". And most of it is. But some may not be. Frustrating as it all is, they have got to run all the leads to the ground. They have not been doing this as faithfully as they should. Thus, the "mindset to debunk" charge and

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YELLOWING PAPERS

The history of the Defense Intelligence Agency's (DIA) handling of the POW/MIA situation has been fraught with rumors and allegations of a coverup. In February of 1991, Col. Millard "Mike" Peck USA, the chief of the DIA's Special Office for POWs and MIAs resigned after a short time at his post. His memorandum of resignation was a scathing indictment of the POW Office's past performance. He resigned because he felt that his efforts to get it back on track were either being ignored or actively sabotaged. As a highly decorated combat infantryman with three tours in Vietnam, his sense of duty demanded that he refuse to participate in an apparent betrayal of his brothers-in-arms.

As it turns out, Col. Peck was not the first to have found deeply disturbing problems within the POW Office. The Director of the DIA from 1977 to 1981, Lt. Gen. Eugene Tighe was asked to head a commission to evaluate the POW Office's performance by the Reagan Administration in 1984. The Tighe Report has been recently de-classified. Gen. Tighe is referred to in Commodore Brook's revealing memo shown here. Another de-classified document on the same subject is the Gaines Report to the Director of DIA which was completed in 1986. All three of these documents support Col. Peck's assessment of the POW Office's shortcomings.

Of particular interest is paragraph 6 of the Brooks memo shown on the next page. Congressman Billy Hendon had apparently been asking too many embarrassing questions. Brooks suggests forming an alliance with Congressman Solarz "to damage-limit Congressman Hendon."

Congressman Solarz is chairman of the Asian-Pacific Affairs Committee. He held a hearing that was televised on C-Span in 1991. In public session, he arrogantly berated Col. Peck for writing his resignation memo. A long executive session followed because documents like the Brooks memo were classified. Mr. Solarz left after 30 min. and told the media that Col. Peck had no credibility.

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Classified Brooks Memorandum (cont.)

WORKING PAPERS

the "slippery analyst" charge are closely related. The former causes the latter, the leadership of DC-2 (the O-6, Deputy, and senior analyst) must be the conscience of the organization to conclude this mindset taking hold and to closely monitor the work. This they definitely have not done well over the years.

4. (C) I am not persuaded that enough assets are being dedicated to this problem if it is the top priority problem we claim it is. In particular, I wonder if JCRC is adequately manned, whether we have enough polygraph operators available, etc. I would not be able to make a judgment on this without actually having visited JCRC and the camps, which I have not had an opportunity to do. I would encourage you to do this early in your time here so you can draw conclusions regarding the adequacy of our level of effort in the field. Without firsthand exposure, my observations in this area fall into the category of gut feelings rather than researched opinions.

5. (C) A key area which requires attention is DIA's image -- how we are perceived to be doing our job rather than (or in addition to) how we really are doing it. We need to portray an image of open-minded, objective professionals who take this business very seriously and are willing to talk to anyone who might be able to provide us information. This includes the Hallways, Garwoods, and the Lunatic fringe.

6. (C) I see the most important thing we must do right now is to be cementing relationships on the Hill. We have not done as well there as we should. It is clear that Congressman Mendon will be using our files to discredit us (and he will have lots of ammunition there). We need to ensure that we have formed the necessary alliances with HPSCI and the Asia-Pacific Affairs committee, their staffers, and their chairman that we receive support in our efforts to disengage and limit Congressman Mendon.

7. (C) I am afraid we are in for some troubled times. We have not done our job as well as we should have in days ~~ago~~ and we will not withstand scrutiny very well. Yet we will receive plenty of scrutiny in days to come. We must make all preparations to minimize the criticism this scrutiny will bring. I have attached a list of action items which I believe are required to accomplish this. I have already tasked DC-2 in these areas, but close monitoring and some personal involvement will be called for. I stand by to help in any way I can.

Very respectfully,

Thomas A. Brooks
THOMAS A. BROOKS
Commander, USN
Assistant Deputy Director
for Collection Management

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WORKING PAPERS

ACTIONS TASKED TO DC-2 (DOI, III, PRIORITY ORDER)

Get together with Tom Lettmer of HPSCI and ultimately perhaps Congressman Hamilton to line up their support vis-a-vis Congressman Hendon. Do the same thing with the Asia/Pacific Affairs staff and personally with Congressman Solari, Solomon, and Gilman.

Get together with Garwood ASAP to debrief him.

Establish a plot showing location of sightings by year. Maintain this current. Look for patterns.

Review the Yen Bai cases after talking to Garwood. There is a lot of information on Yen Bai in the files, much of which tends to substantiate what Garwood says.

Set up a periodic review process to ensure necessary action is being taken on all cases.

Set up a tickler/follow-up system on imagery tasking to ensure that required imagery is collected and doesn't (all) to the end of the queue or get cancelled. Arrange another interview with ~~Sen. ...~~ Record it if possible. Bring pictures, etc. for him to look at. Try to settle case. JV tape would be great.

Hire a returned POW as an analyst. (This gives Ann Hillis' Griff (with some problems and will have to be discussed with her.)

Put a Reservist to work doing a study on the backgrounds/common denominators of the couple of dozen HIAs who were known to have been captured alive but who never showed up in the prison system.

Get an extra Intel clerk aboard (action pending-RS).

Get ADP help (action pending-RS).

Increase the use of polygraphs. All live sightings since '78 should be polygraphed. This will probably require additional polygraph assets. Look into how we can make these available.

Polygraph the source in J41 in Denmark re his sighting at Yen Bai.

Seek support of analytic support outside FBI.

VO travel to CIL, JCRC, and camps at earliest convenience.

Prepare unclassified précis of intelligence provided by Smith and McIntire.

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Normalization of U.S. Relations

Former Congressman Billy Hendon appeared on the Ron Reagan television talk show in the fall of last year. He claimed on national television to President Reagan's son that CIA Director Bill Casey met with him and four other Congressmen in his office in the mid 1980's. According to Hendon, Casey told them that everyone knows we have POWs still held in SE Asia. Casey said that there was no public support for taking any action and asked "do you want President Reagan to have another hostage crisis?"

Hendon was working as a staff investigator for the Senate Select POW Committee earlier this year. He was the driving force behind implementing Commodore Brooks excellent suggestion to plot locations of refugee eyewitness (live sighting) reports on a map to see if there were any patterns. This elementary intelligence technique had never been attempted before. The patterns he found were quite consistent with Gen. Tighe's contention that most of the reports were credible. The reports were mostly grouped around Hanoi, Saigon and a few other known detention camps.

There were virtually no reports of POWs seen in Cambodia indicating that all prisoners held there either died or were killed. The genocide committed by the Khmer Rouge in the "Killing Fields" would lead a reasonable observer to conclude that "Bandit Pilots" would probably not be kept alive. The four detention camps located along Vietnam's northern border with China generated reports throughout the late 1970's but none in the 1980s. This is logical since it is known that China and Vietnam engaged in a border war in 1979. These camps were probably evacuated or destroyed in the fighting. DIA witnesses dismissed Hendon's map as the "So-called Cluster Theory" in their testimony this month.

Billy Hendon has probably evaluated more classified DIA documents than anyone outside the Agency. He was fired in June of this year by POW Committee chairman Senator John Kerry (D. Mass.) for unspecified reasons.

The U.S. State Department has recently normalized relations with Laos, a nation that has yet to release a single one of the "290 to 350" Americans it held captive in 1973 (Eagleburger memo and Toll statement). We have given up all of our leverage with Laos and got nothing in return. We never even asked for anything, apparently. The State Department has formulated a classified "Road Map" for normalizing relations with Vietnam. Officials in Hanoi complain that they are being unfairly singled out. It would seem as though they are. They are eager to normalize. As one of the poorest nations on earth, they ought to be very eager.

Everyone in a official capacity in the U.S. government insists that we will not normalize with Vietnam until we get some satisfactory cooperation in accounting for our POWs and MIAs. They don't say what they consider satisfactory cooperation. They don't even say that we want our prisoners back. According to the transcript shown below, Deputy Assistant Secretary of State Kenneth Quinn told Senator John Kerry that if we find that Vietnam still has American POWs, they can forget about normalized relations with the United States. Is this a message to Hanoi that if they want to normalize, they must execute any Americans who are still alive?

Testimony of Kenneth Quinn

November 6, 1991

S. HRG. 102-351 PT.1, PAGE 150

The CHAIRMAN. Could Vietnam normalize if a week from now we discovered a camp full of Americans being held or with 10 or 2 or 1?

Mr. QUINN. I couldn't imagine that possibility, Senator.

The CHAIRMAN. And they must be aware of that, correct?

Mr. QUINN. I would assume that having had people in the United States, that they would know that.

The CHAIRMAN. Most people would assume that if we were to discover they were holding somebody, it would be years before this country

Mr. QUINN. It would be destructive of the whole process.

EPILOGUE

The government told Diane that Larry was missing when his plane was shot down in 1968. A bureaucratic slip-up in 1987 revealed that the DIA had known all along he was captured alive. They had lied to her. Nineteen years she could have been working for his release were lost forever.



The Van Renselaars in 1967

The Vietnamese returned Larry's embalmed body in 1989. Diane hired independent forensic pathologists to examine his body. His teeth showed advanced decay indicating that he had lived for some time in captivity. All of Larry's fingers and toes were missing. How unspeakably cruel his captors must have been. How incredibly stupid the Vietnamese officials who released his body must have been. How many more of these bodies are they holding that they can never release because of the tortures recorded on them?

The family members who chanted to President Bush "Tell us the truth, no more lies" were not hecklers. They were patriotic people crying out for help to the only man who could help them. Their cries apparently fell on deaf ears. Bush told the mothers and fathers and brothers and sisters and sons and daughters of brave men like Larry Van Renselaar to "Shut up and sit down."

On Monday following this speech, the National Alliance of Families of Missing Servicemen held a press conference in Crystal City Virginia. They asked President Bush to apologize for his disrespectful remarks. A spokeswoman for the Bush-Quayle campaign replied that there will be no apology to "those rude people."

The Washington Post

SATURDAY, JULY 25, 1992



President Bush speaks to Jeffrey Deaver and Diane Van Renselaar of National League of Families of American Prisoners and Missing after his speech was disrupted yesterday. Bush was overheard saying, "Are you calling me a liar?"

Bush Cites His Patriotism, War Record In Response to MIA Families' Heckling

This photo appeared on front pages all across the nation. An angry President Bush is seen jabbing his finger at the widow of Lt. Larry Van Renselaar USN. Mr. Bush would have been chastened if he had known Diane Van Renselaar's story.

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Page: *1100* *Hick* *Hidwell - Washington* *correspondent*

FRONT PAGE

3 full pages.

American POWs in Southeast Asia

Mounting evidence indicates a U.S. coverup at high levels

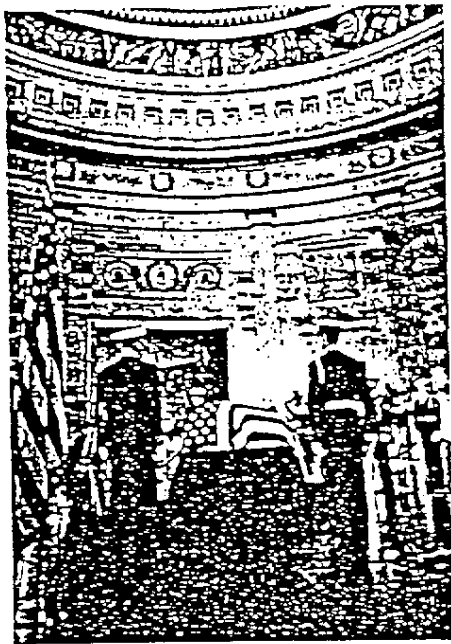
Are American prisoners of war still being held hostage in Southeast Asia? A growing number of military and intelligence officers are publicly charging that not only are American POWs still alive in Vietnam and Laos, but that the U.S. government has been negligent in taking actions which would result in the rescue of American prisoners.

The debate over whether American POWs are still being held against their will in Vietnam has raged since 1973, when the government of North Vietnam released a total of 591 American prisoners of war over a three-month period. For the families of those still missing, the issue has never lost its urgency. But for many Americans, who would like to put the Vietnam War behind them, the issue has seemed far removed.

Over the past several years, however, a series of movies has reenergized the national debate over Americans still missing in Southeast Asia. First came *Uncommon Valor* in 1983. Then, *Missing In Action* in 1984. And now, last year's box-office hit *Rambo: First Blood, Part II*. Once again, the specter of American servicemen being held by Communist governments in Southeast Asia has captivated the nation.

Yet Hollywood cannot claim all the credit for this resurgence of popular interest about the fate of the 2,441 Americans still missing in Southeast Asia. Last October, Robert McFarlane, at the time National Security Advisor to President Reagan, commented during what he assumed was an off-the-record discussion that "there have to be live Americans there." He went on to admit, "There is more that we ought to be doing than we are."

McFarlane's comments aroused a great deal of controversy in Washington. But it was not until last month, when two high-ranking U.S. delegations traveled to Vietnam and Laos to discuss a timely resolution of the matter, that the issue began to receive widespread national attention. In the aftermath of the trip taken by the second of these dele-



The Unknown Soldier of the Vietnam War honors all who did not come back

gations — which was headed by Senator Frank Murkowski (R-AK), chairman of the Senate Veterans Affairs Committee — a series of hearings was scheduled for January.

"We will proceed in an open forum to hear from the administration and those who maintain the position that there still are American servicemen being held against their will in Southeast Asia," Senator Murkowski stated. "In the light of public debate, the Committee will attempt to give all Americans a clear picture of this troubling portion of the MIA/POW issue."

The picture emerging from the two days of hearings held thus far is that American POWs are, in fact, still being held captive in Southeast Asia. "It is my personal opinion that American prisoners of war, servicemen and civilians who were left behind are still being held today against their will in Southeast Asia by the Communist governments of Vietnam and Laos," retired Colonel Earl P. Hopper told the committee.

Hopper, whose son has been missing

in Southeast Asia since he was shot down over the Vietnamese-Laotian border in 1968, presented the committee with a pair of documents written by the Central Intelligence Agency and the Defense Intelligence Agency (DIA). He claimed these documents prove "beyond a doubt that the Central Intelligence Agency knew American prisoners were in Laotian prison camps" in the early 1970s.

"It is significant," he noted, "that these reports give the number of American prisoners held at specific locations in Laos. More significant, however, is the CIA's designation of these camps as confirmed prison camps. [The report] states that in order for a prison camp to be confirmed, it must be reported by two or more independent sources."

"Why weren't these prisoners returned and where are they today?" Hopper asked. "Someone knows the answer to these questions. The burden of responsibility to obtain answers rests squarely on the shoulders of the United States government. To date, they have not fulfilled that responsibility."

Hopper's testimony leads to the conclusion that when American POWs were released from North Vietnam in 1973, the U.S. government knew more POWs were being held in Laos and apparently did nothing about it. None of the Americans captured in Laos were ever returned alive. Over the last thirteen years, the Laotian government has, however, returned fifteen sets of remains.

Yet the question remains: Are American POWs still living in captivity in Laos? According to sworn testimony presented to the Senate Veterans Affairs Committee by three U.S. Army officers, the answer to that question is yes.

Retired Army Major Mark Smith testified: "As recently as five days ago, I personally viewed evidence which proves beyond any doubt that in excess of thirty Americans and other nationalities are being held as prisoners of war in Southeast Asia. This evidence cannot be described in detail but can generally be described as current and specific evidence

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Army Major Mark Smith

which one of my sources in Southeast Asia has allowed me to see."

Smith, together with Sergeant First Class Melvin McIntire, told the committee of the experiences related to the live POW issue which they encountered while serving on active duty with the Special Forces Detachment in South Korea (SFD-K). Smith and McIntire have also filed suit against the Reagan Administration over what they believe to be a concerted effort by government officials to cover up evidence about living American POWs in Southeast Asia.

When Smith — a former POW who was released in 1973 — was first assigned to SFD-K, he did not believe that there were any American POWs still being held against their will in Southeast Asia. However, in 1981, he became acquainted with a military officer in Thailand who gave him "a complete briefing on suspected and known locations of United States prisoners of war. The suspected and known locations of POWs as reported to me were all in Laos."

Over the next three years, in conjunction with Sergeant McIntire, Major Smith established a network of agents among "the Thai military, the Laos resistance, the Pathet Lao, the free Vietnamese, gun smugglers, gold smugglers, drug smugglers, and anyone who could provide information."

By early 1982, Smith and others became convinced that American POWs were being held captive in Laos. "I learned of approximately 200 living Americans in Laos who were prisoners of war," McIntire testified. "I was being provided information in detail sufficient to identify the number of American prisoners of war being held in the general vicinity. I was also being told of the conditions under which they were being held."

Smith regularly briefed representatives of Military Intelligence, the DIA and the Joint Casualty Resolution Center in Bangkok on the progress of their investigation. However, in 1984, "there was a major compromise of one Laos agent who was reported to have been shot by the Vietnamese." As a result, Smith sought to establish a different channel of communication which would allow him "to bypass American military intelligence channels because of all the leaks." Informed sources have told THE NEW AMERICAN that the individual who

was responsible for this compromise was Lieutenant Colonel Paul Mather, assigned to the Joint Casualty Resolution Center.

In April 1984, Smith's testimony noted that "in conjunction with preparing a briefing paper for a certain U.S. Army Major General, I received the code word from a general officer in Thailand that there were three American prisoners of war available to be taken out of Laos in May 1984." This general has been identified by reliable sources as Army Major General Kenneth Leuer, currently commanding general at Fort Polk.

Smith recalled that after General Leuer had read two cover letters accompanying the briefing paper, he "turned white, handed the briefing back to me, and said 'this is too hot for me to handle, big guy.' I told him at that time: 'If you as a Major General can't handle this, what am I supposed to do with it?' I was told that if I was smart, what I would do was to put the briefing through a shredder and forget the entire issue."

Two weeks later, when Smith notified General Leuer that three American POWs held in Laos could be brought out if the U.S. met certain condition, "all SFD-K operations to Thailand or to Southeast Asia were declared unauthorized and terminated."

"Prior to this time," Major Smith added, "SFD-K operations had been going on for three and a half years. I was told that it was no longer the SFD-K's job to develop or have any further partic-

ipation in the POW/MIA issue. I was told that if I wanted to be a Lieutenant Colonel in the Army, I should forget about the POW/MIA information which had been reported to intelligence channels for the past three years. I was told in no uncertain terms that I should forget the matter.

"The conclusion I reached about the significance of this change of method of operations," Smith told the Veterans Affairs Committee, "is that the production of intelligence on American prisoners of war was determined by some agency of the U.S. government to be unacceptable."

Claims Backed By Others

As incredible as the story told by Smith and McIntire may seem, it is not without support. Lieutenant Colonel Robert Howard, their commanding officer in Korea, told the committee: "I would like to say to this committee that the information that was presented here by Major Mark Smith and Sergeant First Class Melvin McIntire is honest, truthful information. And I appear here today to confirm their statements."

When asked whether the intelligence information on which the Smith and McIntire claims are based was available, Colonel Howard replied. "I have been told that some of the evidence is not available now because some of the evidence has been destroyed." However, reliable sources have told THE NEW AMERICAN that during a subsequent seven-hour closed session of the committee,



The family of one returned POW rushes to greet him after five long years

Smith and McIntire turned over copies of the documents they were ordered to destroy. They also presented photographs of POWs currently in captivity, the names of POWs ("numbering in the teens") and their specific location.

In addition, the person who made the actual contacts that led to the possibility of rescuing three live American POWs has submitted a sworn affidavit to be used in Smith's lawsuit. "My fictitious name is John Obassy. I presently reside in Southeast Asia," the affidavit begins. "My experience in Southeast Asia... has largely consisted of being a businessman in this region."

Obassy claims to have seen and actually talked to American POWs in Laos. "During numerous occasions between 1976 and 1978 in Laos, I encountered Americans who I presumed were doing similar activities as mine [smuggling]. The usual encounters were quite hostile as they apparently felt I was encroaching on their sanctuaries," he recalled. "I personally spoke with these people who confirmed to me that they had been left behind. There were approximately twenty to thirty of these Americans, in different areas, which I talked to."

He continued, "I was also led and shown by free-Lao the sites or camps which had male Caucasian and Asian prisoners — some were in chains — who were heavily guarded by Vietnamese. They were also guarded by other nationalities." Obassy estimated that the second group of "forty to fifty" prisoners were Americans. He said, "these prisoner details were all mining for gold. Each prisoner had at least three armed guards on them." Furthermore, he revealed that the last time he had personally seen such a detail was in October 1985.

As for Obassy's "knowledge of the opportunity for Americans to come out of Laos" in 1984, he stated: "The senior Thai official known to me confirmed to Major Smith what I had previously reported. This was that there were three live American prisoners of war who could be released if the Communist criteria could be met. This meant that there had to be a set of conditions — which had to be agreed upon by the American government in written form and endorsed by a third government — that an exchange would be made possible if political asylum was given to certain members of the Laotian Communist government. It was



An artist shows us how a POW's Christmas must have been

also agreed that Major Smith would have to be there to receive these prisoners. I was the individual who made the actual contacts with the free-Lao."

If the Smith and McIntire claims are true, then officials within the U.S. government have conspired to cover up evidence of POWs still living in captivity in Southeast Asia, and have gone to great lengths to prevent Americans from being rescued. This would contradict the Reagan Administration's official position, which is:

Although we have thus far been unable to prove that Americans are still being detained against their will, the information available to us precludes ruling out that possibility. Actions to investigate live-sighting reports receive and will continue to receive necessary priority and resources based on the assumption that at least some Americans are still held captive. Should any report prove true, we will take appropriate action to ensure the return of those involved.

Reliable, informed sources — whose information and identity are known by the White House — have told THE NEW AMERICAN that the coverup conspiracy goes as high as President Reagan himself. According to sources, President Reagan has known since 1981 that a large group of Americans was still being held hostage in Southeast Asia. They say that

in 1981, shortly after coming to office, President Reagan was made aware of an official communication from a foreign government which provided positive proof that live POWs were still being held. "Think about what kind of government would be proof positive," one source hinted.

It is almost unthinkable to many conservatives that President Reagan would be a willing party to such a cover-up. Yet sources provide an explanation which, while troublesome, is nonetheless tenable. That explanation runs as follows:

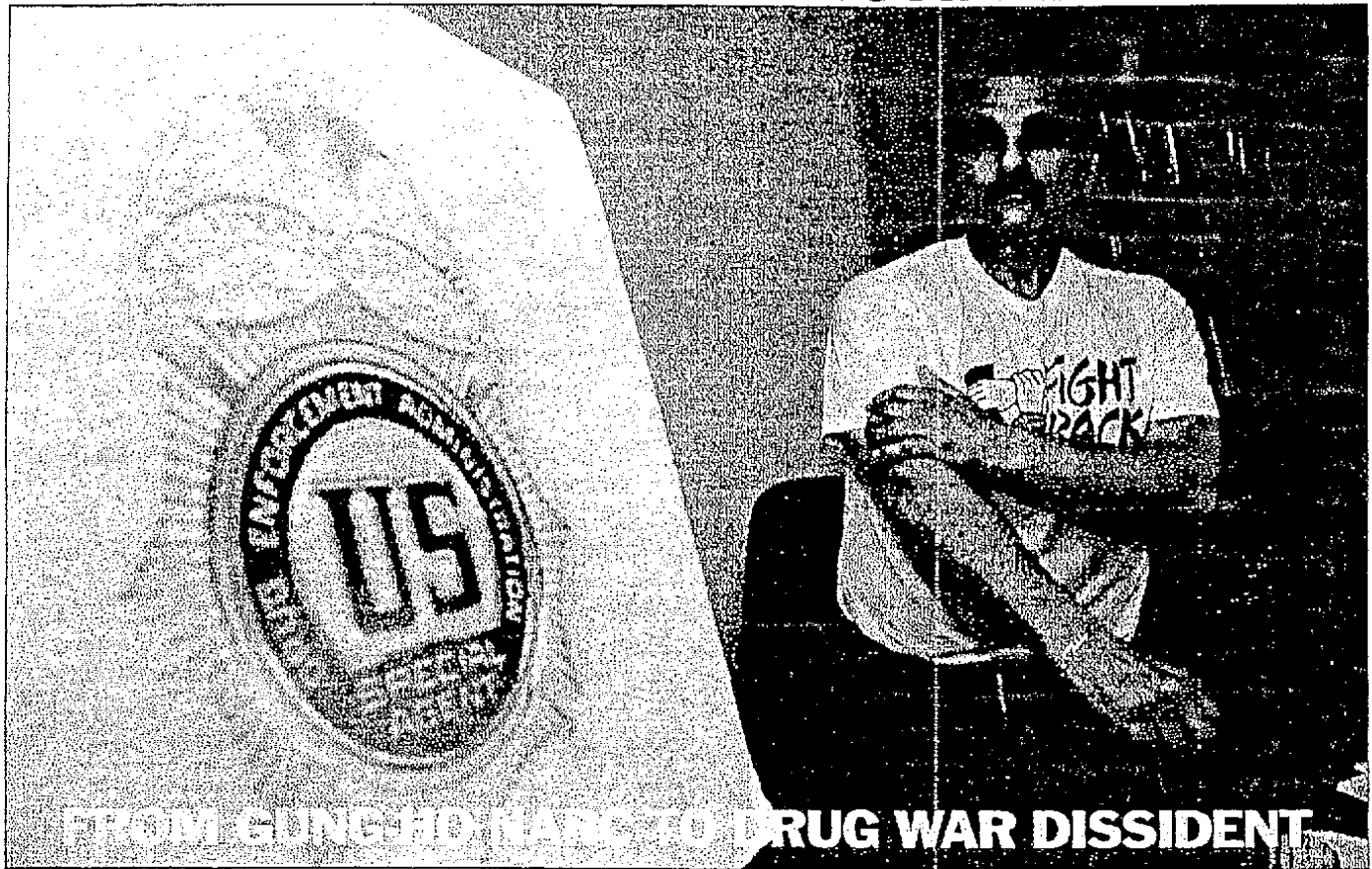
In 1981, the United States was just recovering from the Iranian hostage crisis. The White House, seeing how that crisis contributed to the downfall of the Carter Administration, did not want a repeat in the Reagan Administration's first term. These sources report that the live POWs are not easy to extract from Southeast Asia — some are reportedly held in underground bunkers. The White House reasoned, these sources charge, that to have gone public with the positive proof of live POWs would have precipitated another hostage crisis, this time with abandoned American POWs in Southeast Asia. Now after almost five years, the White House doesn't want to admit the truth because the people would begin to ask, "How long have you known?" And then the Reagan Administration would not have a first-term hostage crisis, but a second-term Watergate-style disaster.

If these charges are true, and the Veterans Affairs Committee is reportedly on the right track to discover the truth, the Reagan Administration and the Republican Party are in serious trouble. But these sources — loyal Republicans and Reaganites that they are — claim they do not want to bring down the Reagan Administration: they just want the American POWs still being held by Laos and Vietnam brought home. In effect, they are telling the Reagan Administration, in the words of Rambo, "You know there's more men out there. You know where they are. Find 'em. Or I'll find you." ■

— KIRK KIDWELL

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THE METAMORPHOSIS OF MICHAEL LEVINE



A Prison Life interview by Richard Stratton

I read former undercover DEA agent Michael Levine's first book, *Deep Cover* (Delacorte, New York, 1990) while in prison serving a 25-year sentence for smuggling marijuana and hash. In those days I felt about DEA agents about the same way I imagine they felt about me: a mixture of loathing and fascination that is the nexus of the outlaw/lawman symbiosis and has more to do, I suspect, with how alike cops and criminals are than with how different they might be.

A few years later, I was standing in a book store in Los Angeles when my wife, Kim, who is also a former undercover narcotics agent and writer, handed me Levine's latest book, *The Big White Lie* (Thunder's Mouth, New York, 1993). I bought the book and added it to the stack on my desk — required reading on America's holy war on drugs. Like most ex-POW's, I am obsessed with trying to understand the events that resulted in my being locked in prison.

Some months passed and I still hadn't got around to reading the book. We were in the process of buying a home in upstate New York, and the real estate agent, after learning we were writers, asked if we had ever heard of Michael

Levine. He said his sister had sold Levine and his wife a home not far from where we were thinking of buying.

This inspired me to pull *The Big White Lie* out of my "must read" stack and dig into it. Two days later I closed the book and knew I had to meet this guy. The next day Kim and I drove to town to drop off some packages at Federal Express. As we were pulling away from the drive-through, I happened to look over at the driver in the opposite lane.

"That's Mike Levine," I said to Kim. I thought I recognized him from his picture on the book jacket; something just told me to look up and there was Levine.

Kim, who had been on "Larry King Live" with Levine when her book, *Rush*, was first published, thought I was hallucinating. "You just want to meet the guy so badly you're seeing him everywhere."

"No, that's him." I was sure of it. Kim got out of the car and, showing both hands so Levine could see she wasn't armed, walked toward his car.

"Mike?" she asked warily. Levine looked back at her. "Kim Wozencraft. We were on—"

"Oh, yeah. Hey, Kim. How ya'

doin'?" It was Levine, all right. The force was with me that day, and the force wanted me to meet Mike Levine.

Why did I want to meet this agent, this man who a decade or so ago was my sworn enemy and would have done everything within his large powers to lock my ass in a "cage," as Levine is fond of calling prison? This former comrade-in-arms of the men who in fact did put my ass in stir for the better part of the '80s? Because Mike Levine, with considerable help from his wife Laura Kavanau-Levine, wrote a book called *The Big White Lie*, a book that is essential reading for every Joe citizen dumb enough to believe the politicians and swallow whole government propaganda on this insane, bullshit war on drugs that is destroying our nation.

When former drug smugglers, who may know what they are talking about, come out and say that the biggest international dope dealers are either CIA assets or enjoy CIA protection, the statement is seen as self-serving. It helps the cause of truth considerably when scholars like Alfred McCoy write and publish well-researched, documented studies on the relationship between CIA and some of the world's major dope producers. (The

Politics of Heroin: CIA Complicity in the Global Drug Trade, Lawrence Hill Books, New York, 1991.) But when a man with Levine's hard-earned credentials, a man who believed in the drug war and fought bravely and honestly for his government to the highest and most perilous levels, only to discover the shocking truth that he had been sold out by the very people he was working for, when such an insider comes forward and writes a book telling the truth, it is of monumental importance. Levine's writing The Big White Lie is the equivalent of General Norman Schwarzsopf writing a book proving the Army is full of shit and debunking the Gulf War as a bad joke all about big money.

So I met Mike Leanne. It was eerie sitting across the table from him, breaking bread with him, talking about the drug war. Levine was a special brand of DEA agent. Levine worked undercover; he spent most of his 25-year career pretending to be a drug dealer. I spent a good part of my career pretending I was not a drug dealer. I wondered if I would have known the guy was an agent had someone introduced us back in the old days. I'm sure Levine would have made me.

Levine is big: over six feet, over two hun-

dred pounds. He's dark; they used to call him "El Judío Triqueño," the Dark Jew. He is strong and moves like an athlete poised on the balls of his feet. He's a martial arts expert, a tough, likable man with a rough-house boyish quality who, I have no doubt, could snap and instantly become deadly at the drop of a dime bag.

But why put the guy on the cover of Prison Life magazine? This guy put people in prison, over three thousand by his own count. He was a fuckin' cop! We decided to put Michael Levine on the cover because we believe what he has to say is vital to the American prison population. Most of the people reading this magazine are in prison on drug charges or for drug-related crimes. Many of the 1.5 million Americans behind bars wouldn't be there if more people would listen to what Mike Levine has to say about the drug war and withdraw their support for politicians who promote this sham. The war on drugs is a major part of what we know as the bloated and corrupt criminal justice system that costs taxpayers billions and is in fact a scam perpetrated on middle-class taxpayers and a form of genocide inflicted on the poor.

I got to know Mike Levine over the course of a long winter and had a number of in-depth discussions with him about the drug war. I may not agree with his ideas on how to solve the drug problem, but I trust Levine's information just as I have come to trust him as a man. Knowing Mike Levine has brought me to the hard realization that all cops are not necessarily bad people; some are just misguided.

From my own experience in the international drug trade I know what Levine has to say is true. When I was smuggling hash out of the Middle East during the long and bloody civil war in Lebanon, (a war that had more to do with fighting for control of the multi-billion dollar drug trade than it did with religion) I met and worked with intelligence operatives and major criminals who openly traded in arms and drugs with CIA connivance and protection. In fact, you couldn't

Undercover shots: (right) Levine with Billy Yellow Hair, a member of a Chinese street gang who sold him heroin; (bottom left) Levine working undercover in Spanish Harlem, trying to "make arrest statistics."

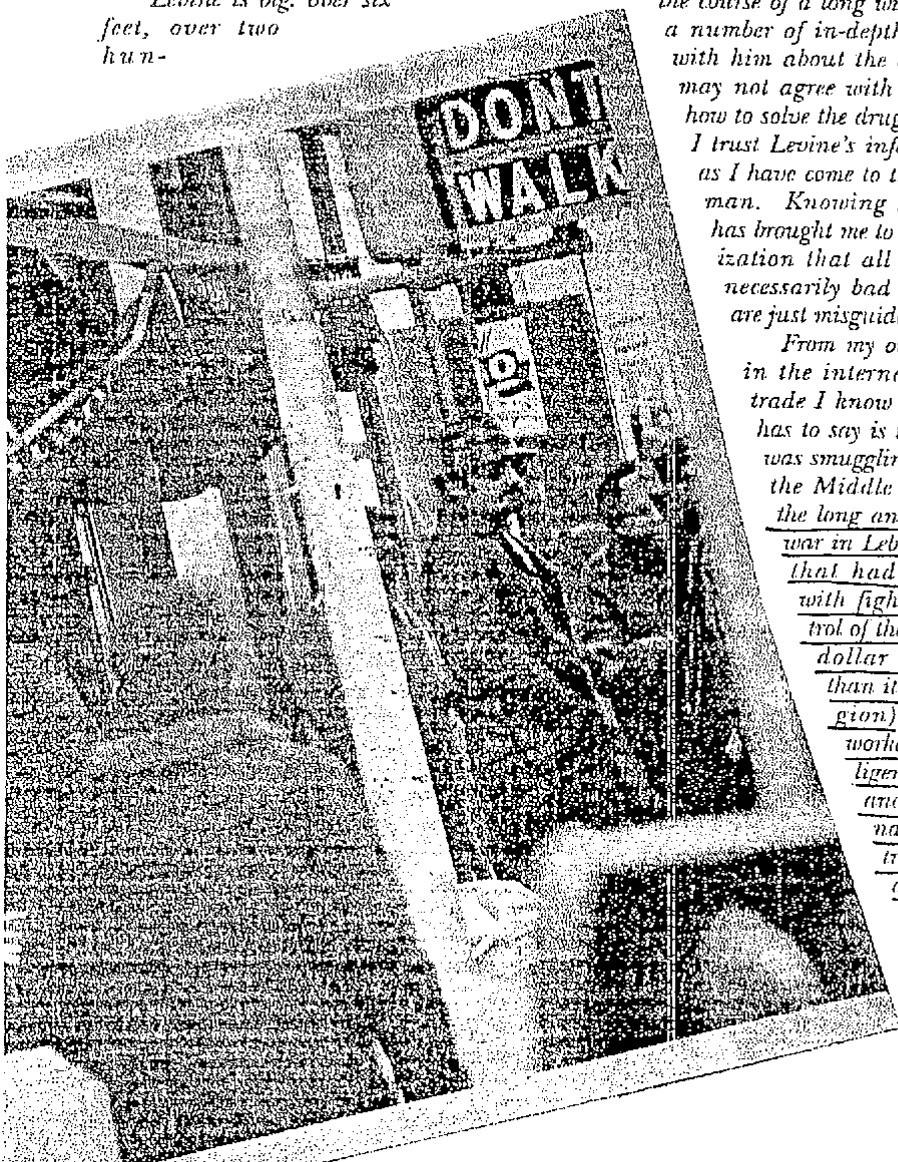


operate for long in the Middle East, or anywhere else for that matter, without CIA connections. Ostensibly, our government aids drug trafficking for political reasons, like supposedly fighting communism. But people in the business know that this rationale, if true at all, is clearly secondary to the profit motive.

Levine and I got together to record a distillation of our ongoing dialogue, a kind of précis of Levine's career, and the subject of his books. But it is to those books, and particularly to The Big White Lie, that I invite the reader. Read them if you care at all about why you are in prison.

I grew up on Tremont Avenue and Southern Boulevard in the Bronx, 148th precinct. I was a bad kid, really bad, arrested twice before I was 16. I was lucky enough to join the military before I got into serious trouble. I was a violent kid and looking back on it I was really afraid, scared to death. The neighborhood was changing from Italian, Jewish and Irish to Puerto Rican and Black. On the streets I used to lie and say that I was half Puerto Rican. You might say I was already undercover. I have a talent for picking up languages. My first girlfriend was Puerto Rican and I picked up street Spanish very quickly with a good accent. Later on, as an undercover narcotic agent in Bangkok, Thailand, within two months I had picked up enough Thai from bar girls to get around pretty good.

But what really started me toward my career in undercover was fate. I believe in fate, in destiny. In 1959 I was a military policeman assigned to Plattsburgh Air Force Base. I had joined the boxing team, I was 19 years old, over 6 feet and 227 pounds, and like all 19-year-olds, I couldn't con-



ceive of my own death. That's why 19-year-olds make such wonderful soldiers. I got into a fight with a guy named Heywood over a three-dollar hat. We were both military policemen. He pulled his gun, stuck it in my stomach and pulled the trigger. It misfired. There were a bunch of witnesses and he was arrested. Later, when they test-fired the gun, it fired every time.

What that incident taught me was the truth of an old Arab saying: "Any day is a good day to die." The saying became my mantra. From that moment on I had only one fear in life, that I would reach my final moment on earth and say the words: "I wish I had..." I was in a rush to live out every fantasy I could imagine; visit every country I was ever curious about; taste it, feel it, eat it, try everything my imagination could conjure before that final moment came. And what better way to live out a fantasy than to become an international undercover agent for the government? And that's exactly what I did, and I got quite good at it. The better I got the easier it was for me to create any fantasy I wanted and the government would fund it, as long as the bottom line was that someone went to jail.

I played every role you could imagine to bust dope dealers. I played a priest, an Arab sheik, a Cuban terrorist. I was an undercover member of both the American Nazi party and the Marxist Leninist branch of the Communist party at the same time. I even passed myself off as a Mafia don to two corrupt DEA agents who sold me the names of informers out of the DEA computer.

Around the time the kicks started wearing off, I found out that my brother was a heroin addict. I started listening to all the rhetoric of the politicians about this holy war on drugs, and about this evil, dark enemy that was destroying my baby brother. I developed a foaming-at-the-mouth hatred for drug dealers. I blamed them for destroying kids like my brother, destroying our country and all that shit, and I was on a fucking mission from God to destroy them, and I didn't care if I died doing it. We're all gonna die. If you could choose the

way you go, what would it be? Well, I chose undercover. That's how spaced out I was, until reality set in.

My first glimpse of reality was in 1971 when I went deep cover in Bangkok, Thailand. I spent about a month hanging with Chinese heroin dealers. We're talking about a time in history when the biggest heroin seizure was still the French Connection, less than 70 pounds. These guys were producing hundreds of pounds of heroin a week. They thought I was a represen-



tative of the Mafia and wanted to impress me; they were trying to talk me into buying heavy weight. So they invited me to visit what they called "the factory" up in Chiang Mai, the center of their heroin production. But in the middle of the night I was brought into the embassy and told that I would not be allowed to go to the heroin factory. The factory was part of the anti-communist support system and was protected by the CIA. As long as they did CIA's bidding, the guys who owned the factory had a license to support themselves by selling American kids drugs, and not only kids on the streets of the U.S., but GI's on the battlefield as well.

It was the first time in my life that I was stopped by my own government.

I didn't know what was going on back then. I was a good soldier, I wouldn't have believed it if anyone told me the truth. I was simply told that our government has other priorities and that the case had to end with the guys I was dealing with. They wound up delivering one kilo of heroin to me and were busted in front of the Siam Intercontinental Hotel along with some guy making false bottom suitcases. These guys were expendable, but the factory owners had CIA sanction to produce tons of dope, and all of it was going into the veins of Americans, including my brother.

The case ended up getting a lot of publicity. It was the first time one undercover agent arrested the smuggler and financier of a heroin-dealing organization in America, and then went overseas to bust their source. I was given a special Treasury Act award, and I let myself get carried away with my own press clippings. They made me feel like I had already won the drug war single-handedly. I shoved the reality of what I had just lived through along with my brother's slow death into a corner of my mind where it couldn't hurt me. Later I would learn that this heroin exporting organization used the dead bodies of our GIs killed in Vietnam to smuggle their junk. The

stuff was hidden in body cavities and body bags.

I returned to the U.S. and to my job as a Special Agent in the Hard Narcotics Smuggling Group of Customs. There was a brutal turf war going on between Customs and the then Bureau of Narcotics and Dangerous Drugs. One of Nixon's last acts as President was to create the Drug Enforcement Administration to end the jurisdictional war. On the morning of July 1, 1973, I woke up as a DEA agent.

For a long while I did nothing but undercover work: hundreds of cases, back to back, cocaine and heroin, seven days a week, never going

home. I had blocked out the whole Bangkok experience and was back fighting my holy war with drug dealers. Black, white, yellow, Jew, Italian, it made no difference to me. If you sold dope you were my enemy, and I would do anything to destroy you.

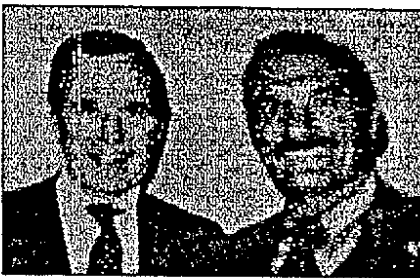
My wake-up call seemed to begin with my brother's death in February, 1977. I was teaching a class on Narcotics Undercover Tactics to the Brooklyn district attorney's investigators when I was told that my brother had committed suicide. He left a note that read: "To my family and friends, I can't stand the drugs anymore." And, again, if you believe in fate as I do, almost immediately I received word that I was to be transferred to Buenos Aires, Argentina as the DEA attaché.

During those years the demand for cocaine, and later crack, had begun to explode. The South American producers couldn't even come close to meeting it. The biggest drug dealer alive was a man unknown to anyone in America, a Bolivian named Roberto Suarez. I was recently shown a transcript of secret testimony before a closed Senate committee chaired by Senator John Kerry. A man named Ramon Milian Rodriguez, who was the main money launderer for the Medellin cartel, told the Senators that Roberto Suarez is the biggest drug dealer who ever lived. Suarez was the Medellin Cartel's main supplier of cocaine base, and, according to Rodriguez, most of the coke that entered the U.S. that wasn't supplied directly by the Colombians came from the Suarez organization.

People think that cocaine is synonymous with Columbia but that's not true. In the '70s and '80s especially, Bolivia was producing 90 to 95 percent of the cocaine base in the world. You shut down Bolivia in the late 1970s and you shut down the world's cocaine supply. You win the drug war. The whole thing was under the control of one man, Roberto Suarez. When I got down to South America in 1978, Suarez's organization, then called La Mafia Cruzeña, The Santa Cruz Mafia, which later became La Corporacion, or the Corporation, couldn't fill 10% of the American demand. They needed to take control of the Bolivian government, which was then anti-drugs, so that cocaine production wouldn't be bothered by law enforcement. They needed to eliminate all the smaller dealers and improve production methods. To catch up with the \$100 billion

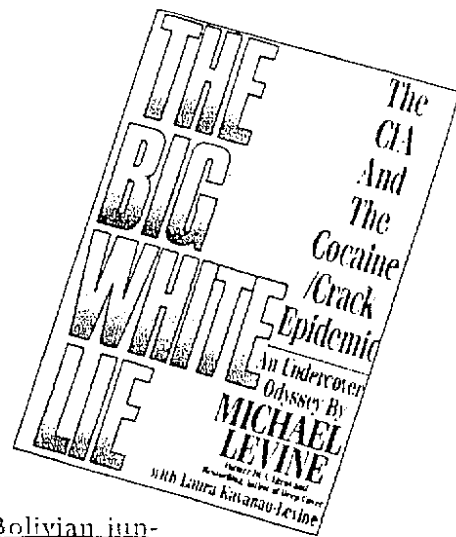
American demand, they had to create what became the General Motors of cocaine. That's what they started to do. They brought in neo-Nazis from Europe, all working for an escaped Nazi war criminal, a man named Klaus Barbie, known as "The Butcher of Leon," to handle their security. They began killing off the competition, improving production and buying off key government officials. My job was to penetrate this organization.

To do this, I created a fictitious Mafia family. We had a team of some 30 undercover agents posing as pilots, chauffeurs, chemists, bodyguards and collectors. A beautiful Puerto Rican agent was flown in from Los Angeles to pose as my wife. We had to rely on the Bolivian government to work with us secretly; they were the last vestiges of anti-drug feeling in South America, and they never betrayed us. They recognized the burgeoning power of drug trafficking and realized they could lose their country to drug dealers unless something was done.



When it began to look as if our sting operation was going to be wildly successful, our whole government turned on us. Our fake Mafia family was given a low-rent, three room bungalow to use as a Mafia mansion; we were given one beat-up old green Lincoln that had been seized and didn't have proper registration as our whole Mafia fleet; our undercover pilots were given a plane so inadequate that Suarez's people were taking bets it would never get off the ground with a load of drugs. I could go on for an hour with all the shit that was pulled to screw us up. It's all in my book, and the government has not denied a thing. They can't. They just pretend I never wrote it.

So, along with this group of undercover agents, I decided to make this case in spite of the DEA suits. In fact, that became our rallying cry: "Let's make this case in spite of DEA." And we did. While my undercover pilots picked up the then biggest load of drugs in history, about 900 pounds of cocaine, directly from Suarez in the



Bolivian jungle, I paid nine million dollars cash to two of the biggest drug dealers who ever lived, José Gasser and Alfredo "Cutuchi" Gutiérrez. They were arrested leaving a Miami bank with the money. This was a first not only for DEA but for all law enforcement. Had we been allowed to let the buy go through, we could've been part of the Corporation. We could've just gobbled them up, the whole war on cocaine would've been over before it began. Instead, what happened was the government cut the whole operation short, made us do a buy-bust instead of a buy. I still felt we had done well. There was enough evidence to indict half the Suarez organization and half the Bolivian government that he'd bought off. The whole drug world was watching this case. DEA had given the U.S. war on drugs a respectability it would never again achieve. The arrest made worldwide news. It was called the greatest sting operation in law enforcement history. They based a lot of the Al Pacino movie Scarface on this case. Once again, I got swept away with my own press clippings. While the undercover team was basking in the limelight, the case was quietly being destroyed by our own government.

José Gasser, one of the wealthiest men in Bolivia, whose family ran the government from behind the scenes for decades, was allowed to go free by Assistant United States Attorney Michael Sullivan, the man who, ironically, would later prosecute that other CIA asset, Manuel Noriega. Sullivan is still the chief of the criminal division of the Miami U.S. Attorney's office. All charges against Gasser were dropped. I couldn't believe it. The guy is busted walking out of a bank with nine million dollars in drug money and the chief assistant U.S. Attorney drops all charges! His co-defendant when he was arrested,

Gutierrez, said he was willing to make a full statement and testify against Gasser, and the United States Attorney didn't even put the case before a grand jury. Mysteriously, no one ever took the statement from Gutierrez. None of this was reported by the press.

Three months later, Judge Alcee Hastings lowered Gutierrez's bail to \$1 million. Gutierrez put the money up in cash and walked out of jail. I was making frantic phone calls from Buenos Aires and I couldn't even get DEA in Miami to follow him. Within hours, Gutierrez got on a private plane and left the country. It was the biggest cocaine seizure in U.S. history and no one was left in jail and no one in the media covered the story. Actually, the only member of the media who wrote that something strange was going on was *High Times* magazine. In any case, the first thing Gasser did when he got back to Bolivia was publish a full-page replica of his unconditional release from U.S. custody. DEA and the U.S. war on drugs became the laughing stock of the South American drug world. It has never recovered.

I started to complain with cables and phone calls to DEA, to the Department of Justice, to State. I was outraged. At the same time, I learned that the very people I had arrested were planning to overthrow the Bolivian government, which had been helpful to DEA. I was informed by Argentinean secret police, who were nothing but mass murderers on the payroll of both DEA and CIA, that they had people in Bolivia aiding the drug dealers and their neo-Nazi security force in fomenting the revolution, and that they were all working for the CIA. The CIA was helping the biggest drug dealers in the world take over Bolivia. How could this be? I investigated the Gasser family and learned that they were tied to the World Anti-Communist League since the early '60s and were well established CIA assets. I thought I was losing my mind. To keep myself from going crazy I began keeping notes and recording conversations that would eventually become the book, *The Big White Lie*. The evidence was indisputable. Yet back then, living through it, I couldn't believe what was happening. It was like I was living out "Seven Days of the Condor" or something.

Then the revolution actually happened. I warned DEA about it, but no one gave a shit. Once the revolution took place, the very people in the Bolivian government who helped us were tortured, killed and exiled from

their own country. It was the bloodiest revolution in Bolivia's history. To this day they call it "The Cocaine Coup." It was the first time in history that a government was taken over by drug traffickers, only what the press wasn't telling the world was that the traffickers had been released from a U.S. jail by the CIA. It was the beginning of what became the Corporation. Within months Bolivia would be exceeding the world's demand for cocaine. It was the beginning of the cocaine and later the crack epidemic. It was the end of the U.S. war on drugs.

I continued complaining to anyone who would listen, only no one wanted to hear what I had to say. I toyed with the idea of becoming a whistle blower, but I'd already had some experience with what phonies a lot of our political leaders are. When they use the word loyalty, they are not talking about loyalty to the American people. They mean loyalty to a political party. The American people, in the can or out, are the last thing in the world these guys care about.

**"The CIA
is America's
primary
supplier
of cocaine."**

Around this time, *Newsweek* published an article about the Cocaine Coup and the cocaine-dealing government of Bolivia, which had by now broken down into separate branches of government. The whole Bolivian government was now in the cocaine business, thanks to the CIA. In the article they named as the heads of the Bolivian drug-dealing factions José Gasser and Alfredo Gutierrez, the same guys I paid nine million bucks to, and a woman, who became an important part of my book, Sonia Atala, known as the Queen of Cocaine. I didn't know it then, but I would end up living with Sonia in a deep cover assignment called Operation Hun. Sonia, by the way, was Pablo Escobar's first source of cocaine base. If you read *The Big White Lie* you realize that Sonia and other key members of the drug-dealing Bolivian government were CIA assets, which makes the prime source of Escobar's cocaine the

CIA. The CIA is therefore America's primary supplier of cocaine. You can imagine that for me, as an undercover DEA agent putting my life on the line to fight the drug war, this realization came as a terrible blow.

Why do they do it? Why does CIA aid and abet certain international drug kingpins while men like you are sent out at considerable personal risk and huge expense to U.S. taxpayers to fight a war that in fact our government does not want to win?

If they were forced to answer that question they would probably say something like, "To defeat Communism." But the truth is they've never even been forced, publicly, to admit what they are doing. In my opinion, and the opinion of a lot of other people in law enforcement, a good many of these guys are just cashing in, like the one guy they recently caught, Aldrich Aimes, the guy who was spying for the Russians. They documented only a half million bucks paid to Aimes from the Russians, yet they found that he had spent around two-and-a-half million. Where do you think the rest of the money came from? The man was also the head of a CIA narcotics unit. Believe me, the government does not want to talk about that because it would be like lifting up a rock and exposing a whole slew of worms like Aldrich. The point is, our intelligence agencies don't answer to anyone, and when they're caught they hide behind National Security, or they just flat out lie. They lie to Congress, they lie in court, they even lie on "Larry King Live."

When *The Big White Lie* was published in October of '93, I was on "Good Morning America," and I leveled all my charges. "Good Morning America" was the only national television show that would put me on the air with *The Big White Lie*. A day later, Admiral Stansfield Turner, who was head of CIA during the Bolivian cocaine revolution, appeared on "Good Morning America," which was very unlike the CIA. He said he was there to "put the lie to the book." Almost every conversation in that book was tape-recorded, so there is no way he could contradict a word of what I wrote. He in fact admitted that he had never read my book. He said that when he was the head of Central Intelligence, he couldn't even get them interested in working drug investigations, which is a perfect example of how incredibly inept and naive both he and President Carter were in their han-

dling and understanding of CIA. Of course he couldn't get them interested in working drug cases—they'd have to investigate themselves. They were supporting the biggest drug dealers on the face of the earth, from the Mujihedein in Afghanistan and the Contras and the drug-dealing Bolivian government to the drug-dealing tribes of Southeast Asia. None of these CIA people will sit face to face with me on these open talk shows, no one will attack my books on a factual basis. They'll never say Levine said this and it's not true. They'll just give this blanket statement that it never happened and the media accepts it without question. Every show I've ever appeared on has offered the government an opportunity to appear with me—I encouraged it—but they refuse because they have too much to hide, and I'm one of those who knows where all the bodies are buried.

Three weeks after Stansfield Turner made his statement, the CIA was caught smuggling a ton of cocaine into the U.S. from Caracas, Venezuela. The story was on "60 Minutes" and on the front page of *The New York Times*, and if you blinked you missed it because the media dropped it like a hot potato. I was doing a radio show in California at the time, the "Michael Jackson Show," and I said, "What do you say now, Admiral Turner? Let's talk about this." Michael Jackson, to his credit, tried to get Turner on the air but he of course refused.

The next thing that happened, James Woolsey, the new head of Central Intelligence, who is nothing more than a defense attorney for the CIA, went on damage control media appearances around the country. Of course, every national show gave him an open mike with no hard questions, the kind of questions a disillusioned DEA agent could ask, and there are many of us. He appeared on "Larry King Live," looked into the camera and lied to several million Americans. He said that the cocaine—and there was over a ton—never hit the street. He said that it was an intelligence-gathering operation gone awry. Total, absolute lies. I checked with my own sources, and found that not only did CIA help run a ton of coke into the

U.S., but there may have been much more than that one ton smuggled into our country by the CIA.

The transcripts you mentioned, which record the secret testimony of Ramon Milian Rodriguez before a closed session of Senator John Kerry's Senate Subcommittee on Terrorism and Narcotics, make it clear that a good many public officials know the truth of the drug war yet they continue to lie to the American public, both for political reasons and because of the huge amounts of money involved in the international narcotics trade.

Of course they know. How else do you explain how a United States



Senator, John Kerry, could say things like, "Our covert agencies have converted themselves to channels for drugs," and "They have perverted our system of justice," which is what Kerry said after hearing witnesses like Milian Rodriguez lay out the evidence of CIA complicity in the illegal drug business. Yet none of these CIA-sanctioned drug dealers go to jail. Isn't what Kerry describing treason? How can he make a statement like that and not indict anyone?"

"You mean, like Oliver North?"

Look, in the Iran-contra report of an investigation, paid for by tens of millions of dollars of taxpayer money, our congress wrote: "All those who sought leniency for General Bueso-Rosa, a drug-smuggling murderer, and all those who looked the other way at Manual Noriega's drug dealing are responsible for what is happening on the streets of America today." If you read the report you know that they are referring to none other than Ollie North, Presidents Bush and Reagan and the CIA, yet they wouldn't name them, nor would they move to indict a single government official for conspiracy to put drugs on our streets.

Conspiracy is an easy charge to prove. I've done it hundreds of times. And I'll bet there are a lot of people reading this magazine who know from first-hand experience just how easy it is to get convicted of drug conspiracy. All you've got to prove is knowledge, an agreement and an overt act. Unfortunately, our elected officials don't have the courage to protect us. This current crop of leaders will go down in history as the epitome of criminality and cowardice in government.

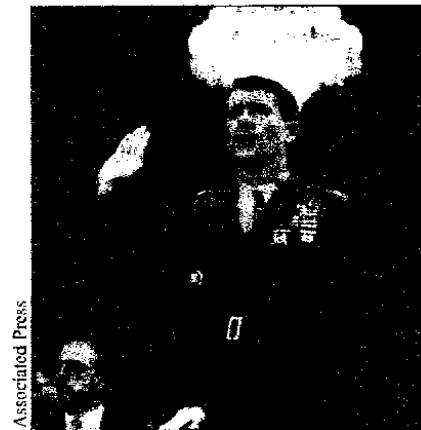
It's been proven: North had an interest in a Swiss bank account that was worth several million dollars. He bought a car with \$15,000 cash that he told Congress was part of a slush fund he had hidden in his closet, accumulated from throwing change in there, along with an old accident settlement. Since when are accident settlements paid in cash? Ask any of your readers behind bars what would have happened if they tried to tell DEA that bullshit. But North got away with it. He had 543 pages in his personal diaries with notations in his own handwriting about drugs, including statements like, "Aircraft needed to pick up 1500 kilos." On one page he had the notation: "\$14 million to finance came from drugs." And that was after he had blacked out most of the statements he thought were incriminating. He refused to tell Congress what was on the pages he had blacked out; he took the Fifth. North was banned from Costa Rica by Oscar Arias, the

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Levine

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Nobel prize-winning president, for gun running and drug smuggling. My friend, another DEA agent named Cele Castillo, the agent who was in charge of El Salvador when North's Contras were running cocaine by the ton up to the U.S., has come out in a new book and told the truth: that DEA and the whole American embassy knew North's people were running dope up to the U.S. Cele was told to keep out of it by the U.S. Ambassador himself, Edwin Corr. He told Cele, "It's a White House operation."



North may well be elected Senator, some say he'll run for President. All Senator Kerry's rhetoric notwithstanding, no government official will ever stand trial for the tons and tons of drugs they helped flood this country with. Why? Because Americans don't know how to fight back, and they are content to swallow any shit the politicians throw at them.

The transcripts of the Rodriguez testimony account for only two of 12 executive sessions that were full of evidence of government cover-up of drug trafficking, all kept secret from the American people. Jack Blum, who was chief investigator for Senator Kerry, resigned from the committee and said, "I am sick to death about the truths I cannot tell." *The Big White Lie* is one of those truths. The transcripts tell an overpowering, nauseating truth.

In 1980, Ramon Milian Rodriguez, a man who is sitting in the Federal can right now for laundering over 200 million dollars a month in drug money, was so overcome by the amount of power he had—he said that he could virtually buy anyone, any country that he wanted—that he went to the CIA and told them what he was doing and the CIA told him to keep on doing it. He named the CIA agents he spoke to.

They later asked him for favors and money in return, including the \$10 million he paid to Felix Rodriguez, the CIA guy who worked directly for North. Milian Rodriguez testified that he made money-laundering deals with the heads of every major U.S. bank in Panama, and that they all knew it was drug money and none of them was indicted—not a banker, not a CIA agent, no one.

You and I both know, we've been there. This so-called drug war is all about money, big money. It's about money and power and political corruption and political cowardice. It's easy to get a street dope pusher and put his face on television, then put him away for 30 years. But if you have political power, if you are protected by the CIA or if you are the CIA or the head of a major U.S. bank, you've got a get-out-of-jail-free card.

I'll give you an example of how unfairly this bogus drug war is being waged, an example from my own career as a narcotic agent. It's the story of John Clemens. John Clemens is a good example of what happens if you're just a walking-around American with no power, and how easy it is to get an indictment and conviction for conspiracy.

On July 4, 1971 I arrested a guy named John Davidson smuggling three kilos of heroin at JFK Airport. He flipped and gave up the financier, a guy named Alan Trupkin, who was waiting for him and the dope in Gainesville, Florida. We were on a plane that night to deliver the heroin. We substituted powder for most of the smack, leaving about a gram of real stuff in the false bottom suitcase. We ended up in a trailer in the middle of a swamp outside of Gainesville. Davidson called Trupkin to tell him that he just got in. This, by the way, was his seventh trip that year. When he called Trupkin, I was taping the phone call. John Clemens, a 22-year-old unemployed musician, got on the phone during the conversation because Trupkin couldn't remember how to get to the trailer. Clemens got on the phone and said, "I know the way. I can show him." The statement was recorded. It was the only statement the kid ever made that could be used against him. So this kid who made absolutely nothing from the deal—they used to toss him a bag of heroin from time to time for favors—showed Trupkin the way to the trailer. He was in technical violation of the conspiracy law and in possession of about a gram of heroin. He was

there. He aided the guy. So he was indicted, convicted at trial and sentenced to 30 years in prison. The smuggler, Davidson, flipped and worked for the government. He got five years. The financier of the operation, Trupkin, got 15 years because he pled guilty in the middle of the trial and made a deal.

Now compare that to North, who's got 543 references to drugs in his personal hand-written notes, including statements like, "Aircraft needed for 1500 kilos," and "financed by drugs," as well as compelling evidence that he profited from his activities. None of this was investigated by professional narcotics investigators, none of it was put before a grand jury. North should be indicted, and some people are talking about him becoming the next President. Meanwhile, John Clemens, as far as I know, is still doing hard time.

You've worked with a lot of informants over the years as a DEA agent. Do you find them reliable? (I thought back to when I was on trial first in the District of Maine, then in the Southern District of New York. In both cases there was no physical evidence connecting me to the marijuana conspiracy, just the testimonies of some lying sacks of shit, yet I got convicted and sentenced to 25 years.)

I never met an informant who didn't lie. An informant will do anything to save his ass. Unfortunately, many informants are a lot slicker than some of the agents. And there are agents who just want to make cases and don't have much of a conscience. That happens all the time. I was hired as a consultant for the defense on one case where the informant was wanted in different countries and so he made a deal with government agents. He was supposed to deliver one Class One dope dealer in exchange for our government protecting him and paying him. So the guy went out and found an ignorant illegal alien who was working his butt off 70 hours a week as a parking lot attendant. The informant told the parking lot attendant that he had a bunch of dumb gringos who were willing to give him money for cocaine and that all he had to do was tell them he'd bring the dope later and these gringos would front him about \$300,000. So the parking lot attendant had a couple of meetings with undercover agents and he played the role the informant gave him. The undercover agent asked for a sample, but the parking lot attendant couldn't even come up with a line

of coke to give him. Next we cut to a hotel room where a hidden video camera caught the undercover agent sitting on one side of a table and the parking lot attendant on the other side. Between them was a briefcase containing \$300,000. They let the guy count the money. In Gomer Pyle Spanish the undercover agent then asked the guy if he would promise to deliver drugs for the money. The guy was nodding his head up and down, his eyes were bugged out. You can see him thinking: Can the gringos really be this stupid? The guy was busted and charged with conspiracy to deliver an enormous load of cocaine. The informant already got paid something like \$17,000 for the case.

Part of my testimony for the defense was that all of that government time and effort and money should be spent on the streets of America getting violent criminals and hard-core addicts off the streets—not illegal alien parking lot attendants. That's one of the big reasons we have 25,000 homicides a year in this country, why whole segments of our country are war zones. We're spending billions to fight a war that doesn't exist. In the last decade we spent more than \$100 billion on this bullshit war and got absolutely nothing for our money. If we had aimed that money at violent criminals and the treatment of hard-core addicts instead of things like the half billion dollars we spent on military radar last year, which didn't even catch a single drug smuggler, and the thousands of bullshit drug seizures and arrests paraded as drug war "victories," millions of lives and billions of dollars would have been saved—including the life of my son who was a New York City police officer killed by a crack addict, and my brother who was a life-long heroin addict. Yet this year our latest "leader," President Clinton, has budgeted more money than ever before, 13.5 billion, for more of the same crap.

In The Big White Lie you recount how you became a total paranoid. You were investigated by your own agency; he began to wonder what side he was on; he came to fear for his life after he wrote a letter to Newsweek exposing the CIA's role in the Bolivian cocaine coup.

I think I'm still alive because I was so paranoid. I didn't tell people I was leaving Argentina because I no longer trusted anyone. While I was cooling my heels in Puerto Rico, the Argentine secret police, the same

killers who worked for the CIA and who were also working for DEA, broke into my house, only, surprise, I was not there. So they sat around all night waiting for me to come home, drinking my booze just like they did when they visited me. The gardener showed up in the morning and they split, leaving the bottle of Scotch and glasses on the floor, just the way they usually did. That's the kind of arrogance these guys have—they literally had a license to kill. Paranoia for a DEA agent working in South America is a healthy emotion.

I wrote a letter on U.S. Embassy stationery to *Newsweek*, return-receipt-requested, telling them that they missed the real story. I told them that the real story was the CIA's secret support of this drug running government in Bolivia and escaped Nazi war criminals. But more than that, I told them the real story was the ultimate betrayal of the American people. Weeks went by and I received the postcard indicating that *Newsweek* had received the letter. Then nothing. A month later, within a 24-hour period, first the Argentines tried to kill me, and when that failed I was placed under investigation by DEA's Internal Security Division. I was falsely accused of everything from black marketing and stealing government funds, to having sex with my undercover partner, a married DEA agent assigned to play my wife. They even wrote me up for playing rock music on my radio and disturbing other people at the embassy.

Then they force-transferred me to Washington, D.C., where I was kept under investigation, followed, my phones tapped, you name it. As a government agent you have no rights, you are literally at the mercy of these people. I was holding on for dear life. In the middle of this madness, I was asked to go undercover to pose as the lover and business partner of Sonia Atala, the woman known as The Queen of Cocaine. When *The Washington Post* reviewed *The Big White Lie*, they called it an "edge-of-the-seat thriller," but questioned how the government could have me under investigation and at the same time send me undercover on their most sensitive case. I have proof backing up every single event that I wrote about. The question should not be posed to me; it should be posed to the people who sent me out on the assignment.

Sonia Atala was one of the people running the Bolivian government, and she was one of my targets. In

Bolivia she had a Nazi paramilitary unit under her command, her house was the main government torture chamber, and suddenly she turns up in the U.S. working for DEA. As it turned out she was also a CIA asset, protected by them. And while she was working as an informant, she never stopped selling dope. She in fact was arrested for selling cocaine to DEA undercover agents while working for DEA and CIA. Of course she was never tried for the arrest because she had *carte blanche* to sell Americans dope.

I am probably one of the most investigated men in the agency because I was one of the most outspoken, and because I represent a threat. I represent a threat to giant bureaucracies making a big buck off this drug war. I don't remember who said it but the quote goes, "If you create a bureaucracy, the bureaucracy's first enemy are the people who created it." That's the nature of bureaucracy. In the drug war, these bureaucracies are created to try and solve the problem, but that would put them out of a job. Now if you think they are going to put themselves out of a job, I've got a Class One cocaine dealer posing as a parking lot attendant I want you to meet.

We've gone from two federal agencies enforcing all the federal drug laws and a \$20 million budget in 1965, when I started in the business, to an \$11.5 billion budget and 54 federal and military agencies screaming for more money when I retired in 1989. The American people have gotten absolutely nothing for their money, but the bureaucracies have profited handsomely; they gobble up this gush of taxpayer funds like hungry animals. Who's paying for it? All of us. And it's not just the police agencies, it is a lot of the so-called "good guys," the treatment-on-demand programs that have absolutely no effect on hard-core drug addicts but which make a hell of a lot of money. According to the *Village Voice*, the guy who heads up Phoenix House makes a \$600,000 a year salary. The Partnership for A Drug Free America and other federally-funded programs that churn out television ads and informational booklets and hold rallies and marches and fund drives really don't want this phony war to go away. There are a lot of people who make a lot of money, which can only be justified as long as we have a drug problem. I'm a threat to all of these so-called good guys. I can very well understand why they would come after me.

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